

City of Montebello, California

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2011



CAFR

CITY OF MONTEBELLO, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**WITH INDEPENDENT
AUDITORS' REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

CITY OF MONTEBELLO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS

For the fiscal year ended June 30, 2011

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Table of Organization	viii
Officials of the City of Montebello	ix
 FINANCIAL SECTION:	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 20
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	22
Statement of Activities	23 - 24
 Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	25 - 26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	29 - 30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
 Proprietary Funds:	
Statement of Net Assets	33 - 34
Statement of Revenues, Expenses, and Changes in Fund Net Assets	35 - 36
Statement of Cash Flows	37 - 40
 Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	41
Statement of Changes in Fiduciary Assets and Liabilities	42
 Notes to Basic Financial Statements	 43 - 105

CITY OF MONTEBELLO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
 (CONTINUED)

For the fiscal year ended June 30, 2011

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Required Supplementary Information:	106
Schedules of Funding Progress:	
CalPERS Miscellaneous Employees Plan	107
CalPERS Safety Employees Plan	107
Other-Post Employment Benefits Plan	107
Budgetary Comparison Schedule:	
General Fund	108 - 109
Note to Required Supplementary Information	110
Supplementary Schedules:	111
Other Governmental Funds:	112
Combining Balance Sheet	113
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
Other Special Revenue Funds:	115
Combining Balance Sheet	117 - 118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	119 - 120
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Special Gas Tax Special Revenue Fund	121
Park Development Special Revenue Fund	122
Retirement Special Revenue Fund	123
Prop A Special Revenue Fund	124
Drug Enforcement Special Revenue Fund	125
Prop C Special Revenue Fund	126
Measure R Special Revenue Fund	127
Metro Station Special Revenue Fund	128
Air Quality Special Revenue Fund	129
Supplemental Law Enforcement Special Revenue Fund	130
Grants Special Revenue Fund	131

CITY OF MONTEBELLO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(CONTINUED)

For the fiscal year ended June 30, 2011

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Supplementary Schedules (Continued):	
Other and Major Debt Service Funds:	132
Combining Balance Sheet	133
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	134
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
City Debt Service Fund	135
Public Financing Authority Debt Service Fund	136
Redevelopment Agency Debt Service Fund - Major Fund	137
Other and Major Capital Projects Funds:	138
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Public Financing Authority Capital Projects Fund	139
Capital Improvements Capital Projects Fund	140
Redevelopment Agency Capital Projects Fund	141
Other Enterprise Funds:	142
Combining Statement of Net Assets	143
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	144
Combining Statement of Cash Flows	145
Internal Service Funds:	146
Combining Statement of Net Assets	147
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	148
Combining Statement of Cash Flows	149

CITY OF MONTEBELLO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
 (CONTINUED)

For the fiscal year ended June 30, 2011

	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED):	
Description of Statistical Section Contents	151
Financial Trends:	
Net Assets by Component - Last Seven Fiscal Years	152 - 153
Changes in Net Assets - Expense and Program Revenues - Last Seven Fiscal Years	154 - 155
Changes in Net Assets - General Revenues - Last Seven Fiscal Years	156 - 157
Fund Balances - Governmental Funds - Last Seven Fiscal Years	158 - 159
Governmental Activities Tax Revenues by Sources - Last Ten Fiscal Years	160
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	162 - 163
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	164 - 165
Principal Property Tax Payers	166
Property Tax Levies and Collections - Last Ten Fiscal Years	167
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	168
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	169
Direct and Overlapping Debt	170
Legal Debt Margin Information - Last Ten Fiscal Years	171
Pledged-Revenue Bond Coverage: Golf Revenue Bonds - Last Ten Fiscal Years	172
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	173
Principal Employers - Current Fiscal Year and Nine Fiscal Years Ago	174
Operating Information:	
Full-Time and Part-Time City Employees by Function - Last Eight Fiscal Years	175
Operating Indicators by Function - Last Ten Calendar Years	176 - 177
Capital Asset Statistics by Function - Last Ten Fiscal Years	178 - 179

INTRODUCTORY SECTION



City of Montebello

February 14, 2012

Honorable Mayor, Members of the City Council,
City of Montebello

The Comprehensive Annual Financial Report of the City of Montebello (the City) for the fiscal year ended June 30, 2011 is submitted as prepared by the City's Finance Department. The report is published to provide to our citizens, the City Council, and the investment community detailed information about the financial condition and operating results of the City as measured by the financial activity of its various funds.

The CAFR is presented in three (3) sections: the **Introductory Section**, the **Financial Section**, and the **Statistical Section**. The *Introductory Section* contains a table of contents, this letter of transmittal, a list of elected officials, and an organization chart. The *Financial Section* contains our independent auditors', Eadie and Payne LLP, opinion letter, the general purpose financial statements, and the relevant supplemental financial statements and schedules for 2010-11. The *Statistical Section* presents historical, financial, analytical, economic and demographic information, which may be useful for further analysis and comparisons.

Responsibility for both the accuracy of the financial report and the completeness and fairness of the presentation rests with the City. To the best of our knowledge, the information presented is accurate in all material respects and includes all disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

The City prepared the CAFR using the financial reporting requirements outlined in the Governmental Accounting Standards Board (GASB) Statement No. 34. This statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

GENERAL INFORMATION AND ECONOMIC OUTLOOK

The City of Montebello was incorporated on October 16, 1920, and conducts its operations as a general law, Council/Administrator City. The City is governed by a Council of five members elected at large and serve for staggered four year terms. The City Clerk and City Treasurer are also elected to four year terms. The City Mayor, Mayor Pro tem, City Administrator and City Attorney are appointed by the Council.

Montebello is located nine miles east of the Los Angeles Civic Center and has access to three freeways - the Santa Ana Freeway to the south, the Pomona Freeway to the north, and the San Gabriel River Freeway to the east. The City has a population of approximately 66,500 living in an area of 8.2 square miles. The City is a balanced community with light industry, residential areas, and commercial centers.

According to the 2011 estimate of the California Department of Finance, the City's population showed an increase of 0.55 percent over last year. The 2010-2011 assessed valuation of \$4.6 billion represents a decrease of 1.2 percent over last year. Increases during the past five years have averaged 4.6 percent. The Consumer Price Index for the Los Angeles-Riverside-Orange County area of which Montebello is a part of increased 2.0 percent over 2010-11. Sales tax revenue of \$10.4 million for 2010-11 reflects an increase of 23.7 percent when compared to 2009-10; this represents the first year of increase in sales tax revenues over the preceding year. Sales tax revenue during the past five years has decreased an average of 1.9 percent per year.

Sales tax is a major revenue source for the City and is broad based with a major shopping mall anchored by Macy's and Penney's, another shopping center anchored by Sears and Costco, a large petroleum company, a major paper products distributor, and auto dealerships. Sales tax revenue increased \$2.4 million or 29.8 % as economic conditions improved over the prior fiscal year.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 28, 2011, the Governor of the State of California signed Assembly Bill x1 26 (ABx1 26) and Assembly Bill (ABx1 27) as part of the State's budget package. ABx1 26 required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency.

On December 29, 2011, the California Supreme Court issued a ruling finding ABx1 26 to be constitutional and upheld the State's ability to dissolve redevelopment agencies. Additionally, the Court found ABx1 27 to be invalid. Under the provisions of the law, the Montebello Redevelopment Agency (Agency) was dissolved on February 1, 2012. The City as the successor agency, under board oversight, is responsible for the winding down of the Agency's affairs. The City Council also elected to be the Housing Successor in January 2012.

ABx1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the reversal of the transfers with the transferred assets returned to the successor agency designated pursuant to the terms of ABx1 26.

THE FINANCIAL REPORTING ENTITY

This report includes all funds and account groups of the City, including the Montebello Redevelopment Agency, Montebello Public Improvement Corporation, and Montebello Public Financing Authority.

The City provides a full range of municipal services including police and fire protection, street maintenance, planning and development, parks and recreation services, and general administration. Montebello also operated its golf course, transportation system, detention facility, water services, and the Montebello Hilton Garden Hotel as enterprise funds. Enterprise funds are financed from user fees and subsidies from other governmental agencies.

ACCOUNTING SYSTEM

The modified accrual basis of accounting is followed for government fund types and the accrual basis of accounting is followed for proprietary fund types.

In developing and changing the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

- The safeguarding of assets against losses from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets.
- The concept of reasonable assurance recognized that the cost control procedures should not exceed the benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework.

BUDGETARY CONTROL

In addition to internal accounting controls, the City also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the City's budget policy embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, and capital project funds are included in the annual approved budget.

Budgetary control is maintained at a functional level by division within the department through the use of object-level accounting appropriations. Actual expenditures are compared to these appropriations. When purchase orders, contracts, and other commitments are approved, appropriations are encumbered. Encumbrances and expenditures, which would cause an overrun of appropriations, require an approved budget transfer. Encumbrances at year-end are reported as reservations of fund balance. An annual capital plan is included in the City's published budget with each improvement monitored on a project-by-project basis. Capital projects are further appropriated annually.

PENSION PLAN

The City of Montebello employees are covered under the Public Employee Retirement System (PERS), which is administered by the State. Nonsafety employees are also covered under the System, which is administered by the Social Security system. The City's share of contributions to the pension plans for all employees are covered by a voter approval levy.

DEBT ADMINISTRATION

At June 30, 2011, the City had general long-term debt amounting to \$122.3 million, which is detailed in the Notes to the Financial Statements. This includes \$64.6 million for tax allocation bonds, \$24.0 million for Certificates of Participation, \$14.9 million for Revenue Bonds, and \$18.8 million for long-term notes payable and the noncurrent portion of accumulative vacation and sick leave. The City has no general obligation debt.

CASH AND INVESTMENT MANAGEMENT

The City has an investment policy, which is submitted to the City Council annually for approval. Investment objectives in order of priority are safety, liquidity, and yield.

The City invests its pooled funds and Redevelopment Agency funds, except for bond funds, debt service reserves, and deferred employee compensation, which are maintained by appointed fiscal agents. The City directs its bond fund and debt service fund investments. It is the City's policy to maintain a diversified investment portfolio.

RISK MANAGEMENT

The City of Montebello has established a Self-Insurance Fund for the payment of workers' compensation and liability claims. The City annually contracts with an independent actuary to determine required funding for the City's self-insurance program. The City finances the fund through user charges based on the results of the actuarial studies. In addition, the City uses a variety of risk control techniques including, but not limited to, employee accident prevention training.

OTHER INFORMATION

The City requires that its financial statements be audited by a Certified Public Accountant selected by the City Council. This requirement has been satisfied, and the auditors' opinion is included in the financial section of this report.

In addition, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." This requirement has also been satisfied.

During the fiscal year ended June 30, 2011, the City implemented the Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under previous reporting standards, the City's governmental fund balances were reported under three categories: reserved, unreserved, and designated. The new reporting standard replaces these three fund balance categories with five new classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

- Nonspendable Fund Balance includes amounts not in spendable form (e.g., prepaid expenditures, inventories, and long-term loans/notes receivable) or amounts required to be maintained intact legally or contractually (e.g., corpus or principal of a permanent fund).
- Restricted Fund Balance includes amounts constrained for a specific purpose by external parties, grantors, contributors, constitutional provision or enabling legislation (e.g., debt service, State and federal grants, propositions, redevelopment, low income housing, etc.).
- Committed Fund Balance includes amounts constrained for a specific purpose by formal action of the City Council (e.g., major maintenance, capital replacement reserve, land acquisition, etc.). Such constraints can only be removed or changed by taking the same type of action employed to commit those amounts (e.g., resolution, ordinance, etc.).

- Assigned Fund Balance includes amounts constrained by the City's tentative intent to be used for a specific purpose (neither restricted nor committed) expressed by the City Council or by an official who has been delegated the authority to assign amounts (e.g., capital projects budget carryover to the subsequent fiscal year, budgeted expenditures in excess of budgeted revenues in the subsequent fiscal year, etc.). When the City Council or authorized official formally restricts or commits to that intent, the City Manager is delegated authority to assign all or a portion of this fund balance accordingly.
- Unassigned Fund Balance consists of residual resources that have not been classified in the previous four categories. All funds in this category are considered spendable resources.

Acknowledgments. The preparation of the City's comprehensive annual financial report could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. I would like to express appreciation to all members of the department and to Eadie and Payne LLP, the City's independent auditors, who assisted and contributed to its preparation.

I would also like to thank the Mayor, members of the City Council, and the Interim City Administrator for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner, for the best interest of the citizens of the City of Montebello.

Respectfully submitted,

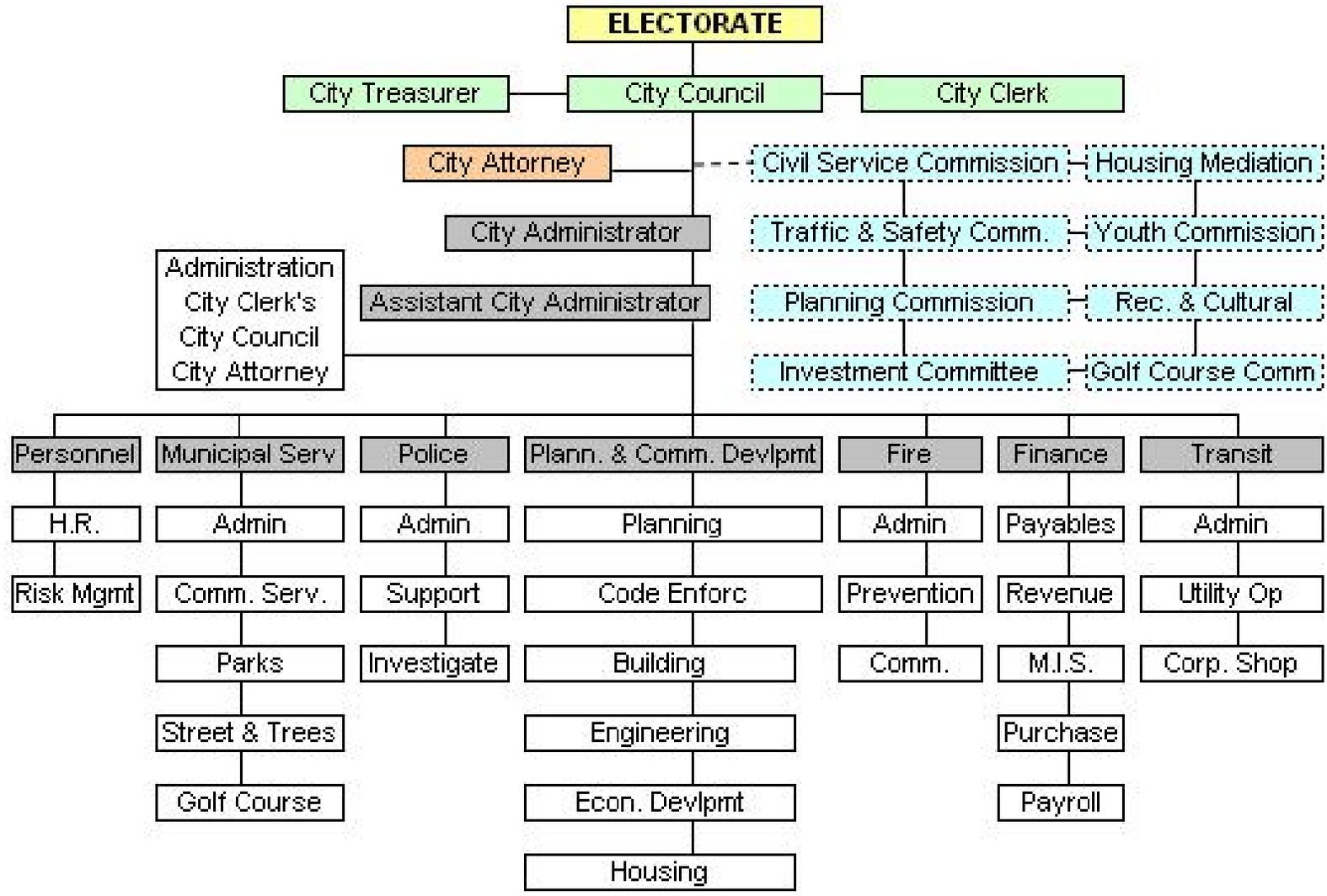
Sincerely,

Francesca Tucker-Schuyler

Francesca Tucker-Schuyler
Director of Finance/Deputy City Treasurer

THIS PAGE LEFT INTENTIONALLY BLANK

**City of Montebello
Table of Organization**



Directory of City Officials

City Council

Art Barajas - Mayor
Dr. Frank A. Gomez - Mayor Pro Tem
Christina Cortez - Councilmember
William M. Molinari - Councilmember
Alberto Perez - Councilmember

Elected Officials

City Clerk

Robert J. King

Principal Administrative Officers

Interim City Administrator
Police Chief
Fire Chief
Director of Planning/Community Development
Director of Transportation
Director of Personnel and Risk Management
Director of Municipal Services
Director of Finance

Larry Kosmont
Kevin McClure
Tim Wessel
Mike Huntley
Aurora Jackson
Paul Loehr
Norma Salinas
Francesca Schuyler

FINANCIAL SECTION

EDEN C. CASARENO, C.P.A.
DEBORAH L. CROWLEY, C.P.A.
TODD C. LANDRY, C.P.A.



ADRIENNE J. LINDGREN, C.P.A.
JOHN F. PRENTICE, C.P.A.
DAVID M. THAYER, C.P.A.
FRANK M. ZABALETA, C.P.A.

*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITORS' REPORT

The Honorable City Council
of the City of Montebello
Montebello, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montebello, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, and the budgetary comparison information on pages 3 through 20 and pages 105 through 110 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules of funding progress, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eadie and Payne LLP

February 14, 2012

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

As management of the City of Montebello, California (the City), we offer readers of the City of Montebello's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City exceeded its liabilities, at June 30, 2011, by \$80.3 million (net assets) and the government's total net assets increased by \$4.7 million during the fiscal year ended June 30, 2011.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$57.5 million, an increase of \$3.5 million in comparison with the prior year. The City's fund balances are restricted, assigned, and unassigned.
- At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$4.4 million.
- The City's total long-term liabilities decreased by \$3.4 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

Government-wide financial statements (Continued)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present information about the functions of the City that is principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City and the Montebello Redevelopment Agency (Agency), a blended component unit, include general government, public safety, public works, parks, recreation and culture, and housing and community development. Business-type activities of the City include water, golf course, transportation, hotel, and detention operations.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Fund financial statements (Continued)

Governmental funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, the Montebello Redevelopment Agency Debt Service, the Capital Improvements Capital Projects Fund, and the Montebello Redevelopment Agency Capital Projects Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its major funds. The basic financial statements include a budgetary comparison statement for the General Fund. The budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Fund financial statements (Continued)

Proprietary funds (Continued)

- **Enterprise** funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of water, golf course, transportation, Montebello Hilton, and detention facility.
- **Internal service** funds are used to report activities that provide internal services for the City. The City uses internal service funds to account for its liabilities, workers' compensation, and vehicle maintenance and replacement. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The basic fiduciary fund financial statements can be found immediately following the basic proprietary fund financial statements.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic fiduciary fund financial statements.

Other information

The combining statements referred to earlier in connection with other governmental funds and internal service funds are presented for all other Special Revenue Funds, all other Debt Service Funds, all other Capital Projects Funds, and all Internal Service Funds. These combining fund statements and schedules of revenues, expenditures, and changes in fund balance - budget and actual for individual funds can be found immediately following the required supplementary information.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Fund financial statements (Continued)

Other information (Continued)

The *blended component units* referred to earlier in connection with the government-wide financial statements, although legally separate, function at the discretion and direction of the City's management. Their financial position and results of operations, therefore, have been included as an integral part of the primary government, and are presented in the fund financial statements.

Government-wide Financial Analysis

The government wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net assets of \$80.3 million, reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MONTEBELLO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Government-wide Financial Analysis (Continued)

City of Montebello
Summary of Net Assets
June 30,
(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Assets:						
Current and other assets	\$ 84,862	\$ 77,084	\$ 2,262	\$ 3,699	\$ 87,124	\$ 80,783
Capital assets	<u>94,227</u>	<u>97,382</u>	<u>55,105</u>	<u>55,763</u>	<u>149,332</u>	<u>153,145</u>
Total assets	<u>179,089</u>	<u>174,466</u>	<u>57,367</u>	<u>59,462</u>	<u>236,456</u>	<u>233,928</u>
Liabilities:						
Long-term liabilities	116,749	120,020	5,751	5,869	122,500	125,889
Other liabilities	<u>26,412</u>	<u>25,432</u>	<u>7,198</u>	<u>7,008</u>	<u>33,610</u>	<u>32,440</u>
Total liabilities	<u>143,161</u>	<u>145,452</u>	<u>12,949</u>	<u>12,877</u>	<u>156,110</u>	<u>158,329</u>
Net Assets:						
Invested in capital assets, net of related debt	50,421	51,378	50,305	50,782	100,726	102,160
Restricted	26,539	24,305	-	-	26,539	24,305
Unrestricted	<u>(41,032)</u>	<u>(46,669)</u>	<u>(5,887)</u>	<u>(4,197)</u>	<u>(46,919)</u>	<u>(50,866)</u>
Total net assets	<u>\$ 35,928</u>	<u>\$ 29,014</u>	<u>\$ 44,418</u>	<u>\$ 46,585</u>	<u>\$ 80,346</u>	<u>\$ 75,599</u>

Net assets of the City increased 6.3% from \$75.6 million last year to \$80.3 million this year, of which \$100.7 million is invested in capital assets such as equipment, buildings, and infrastructure. Any remaining amount is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Government-Wide Financial Analysis (Continued)

City of Montebello
Summary of Changes in Net Assets
For the Year Ended June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
		Restated		Restated		Restated
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 12,256	\$ 12,157	\$ 14,517	\$ 14,126	\$ 26,773	\$ 26,283
Operating grants and contributions	8,283	9,890	16,399	14,811	24,682	24,701
Capital grants and contributions	-	-	3,227	16,254	3,227	16,254
General revenues:						
Sales taxes	10,446	8,049	-	-	10,446	8,049
Property taxes	26,319	26,992	-	-	26,319	26,992
Other taxes	6,860	6,750	-	-	6,860	6,750
Other revenues	2,078	1,874	-	-	2,078	1,874
Investment earnings	260	342	11	-	271	342
Total Revenues	<u>66,502</u>	<u>66,054</u>	<u>34,154</u>	<u>45,191</u>	<u>100,656</u>	<u>111,245</u>
Expenses						
General government	6,003	5,182	-	-	6,003	5,182
Public safety	30,196	34,441	-	-	30,196	34,441
Public works	5,916	5,384	-	-	5,916	5,384
Parks, culture, and recreation	4,956	6,194	-	-	4,956	6,194
Housing and community development	11,812	13,056	-	-	11,812	13,056
Transit	-	-	23,653	24,752	23,653	24,752
Golf course	-	-	3,029	3,065	3,029	3,065
Montebello Hilton	-	-	3,483	3,509	3,483	3,509
Water utility	-	-	1,675	1,630	1,675	1,630
Detention facility	-	-	459	495	459	495
Interest on long-term debt	5,143	5,072	-	-	5,143	5,072
Unallocated infrastructure depreciation	705	698	-	-	705	698
Total Expenses	<u>64,731</u>	<u>70,027</u>	<u>32,299</u>	<u>33,451</u>	<u>97,030</u>	<u>103,478</u>
Change in net assets before transfers	1,771	(3,973)	1,855	11,740	3,626	7,767
Transfers	<u>5,143</u>	<u>1,378</u>	<u>(4,022)</u>	<u>(1,379)</u>	<u>1,121</u>	<u>(1)</u>
Change in net assets	6,914	(2,595)	(2,167)	10,361	4,747	7,766
Net assets - Beginning of Year	<u>29,014</u>	<u>31,609</u>	<u>46,585</u>	<u>36,224</u>	<u>75,599</u>	<u>67,833</u>
Net assets - End of Year	<u>\$ 35,928</u>	<u>\$ 29,014</u>	<u>\$ 44,418</u>	<u>\$ 46,585</u>	<u>\$ 80,346</u>	<u>\$ 75,599</u>

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

Government-wide Financial Analysis (Continued)

The following items impacted City-wide revenues for the fiscal year ended June 30, 2011:

- Program revenues for charges for services and operating and capital grants and contributions accounted for 100% of total business-type activities revenues, as a result of amounts received for the operating revenues from Transit, Montebello Hilton, and Golf Course Enterprise Funds.
- The largest general revenue, property taxes, accounted for 39.6% of total governmental revenues and 26.1% of City-wide revenues, which includes business-type activities. Sales tax accounted for 15.7% of total governmental revenues and 10.4% of City-wide revenues.

Overall, expenditure decreases were the result of cost cutting measures instituted by the City, as well as City employees and their bargaining units, agreeing to contribute a portion of their pension contribution. Public Works expenditures were 6.1% of total citywide expenditures; Public Safety accounted for 31.1% of total City-wide expenditures, while Transit was 24.4% of total City-wide expenditures.

Governmental Activities

Governmental activities increased the City's net assets by \$6.9 million. Key factors of this change in governmental activities include the following based on the governmental-wide statement of activities.

- Property tax revenues decreased approximately \$673,000 or 2.5% from 2010. A 1.7% increase in redevelopment project area tax increments was offset by a 9.8% decrease in general and other governmental fund property tax revenues.
- Sales taxes increased \$2.4 million or 29.8% as economic conditions improved over the prior fiscal year.
- Investment earnings were down \$82,000 or 24.0% as a result of less cash available to invest as well as a lower interest rates.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Government-wide Financial Analysis (Continued)

Governmental Activities (Continued)

- Governmental activities expenses decreased approximately \$4.7 million or 6.8% from 2010. Public safety costs were reduced by approximately \$4.2 million or 12.3% as a result of various cost cutting measures which included, but were not limited to, backfilling of positions, instituting "brownouts" of fire facilities, hiring freezes, and employees within public safety and their bargaining units agreeing to contribute a portion of their retirement contributions. Increases in General Government expenditures (approximately \$822,000 or 15.9%) and Public Works expenditures (approximately \$530,000 or 9.9%) were offset by reductions in Parks, Culture, and Recreation (approximately \$1.2 million or 20.0%), and Housing and Community Development (\$1.2 million or 9.5%). Lower expenses, as compared to the prior year, were due to reductions instituted to better match expenditures to their respective revenues.

Business-Type Activities

Business-type activities decreased the City of Montebello's net assets by \$2.2 million. The City's Transit System is the largest business-type operation, followed by the Montebello Hilton and Golf Course.

Approximately 26.8% of Transit financing for operations is generated from bus fares and special contracts, while the remaining 73.2% comes from State and federal subsidies. Total fiscal year operating revenues increased \$182,000 or 3.0% from last year as a result of an increase in ridership of .2% over fiscal year 2010.

The Transit Fund operating expenses show a decrease from \$24.8 million to \$23.7 million, or down \$1.1 million or 4.4%. \$1.1 Million of Proposition A and Proposition C Local Return expenditures were removed and established in Special Revenue Funds.

Golf Course net assets decreased by \$395,000 in 2011. Net cash provided by operating activities increased in 2011 by \$176,000. Revenues increased in 2011 by \$96,000 over 2010. Expenses decreased by \$16,000 from 2010. Increases in materials, supplies, and utilities were offset by decreases in labor and outside contract expenditures.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Government-wide Financial Analysis (Continued)

Business-Type Activities (Continued)

The Montebello Hilton reflected net income before transfers of capital for debt service of \$544,000 for fiscal year 2011 compared to \$337,000 million for the same period last year. Operating income increased by \$212,000 over 2010. Operating income increased because operating revenues increased by \$181,000 over 2010. Operating expenses decreased slightly over 2010.

The hotel operations were able to meet its debt service obligations but unable to make payments to the City under the current hotel operating agreement.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements, in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$57.5 million, an increase of \$3.5 million in comparison with the prior year. Governmental fund balances are nonspendable, restricted, assigned, or unassigned. Nonspendable fund balances cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Restricted fund balances are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. Assigned fund balances are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balances may be assigned by City Council or by an official or body to which the City Council delegates the authority. Unassigned fund balances are amounts not included in other spendable classifications.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Financial Analysis of the Government's Funds (Continued)

The General Fund is the City's main operating fund. In 2010-11, the General Fund ended the year with a positive fund balance of \$5.0 million compared to a deficit of \$6.7 million in 2009-10. The primary factor for the turnaround of \$11.7 million was due to the restructuring of the 2000 Certificate of Participation (COP) agreement with the Agency to prepay its obligations under this agreement in the amount of \$13.5 million. Operating revenues increased by \$1.9 million, reflecting an increase in sales tax revenue. Operating expenses decreased by \$5.0 million from last year as a result of decrease of \$4.0 million in Public Safety expenditures. Cost-cutting measures were instituted by the City in 2010-11. The City instituted temporary "brown outs" of fire stations, did not fill various vacant positions, and backfilled positions within its Police Department. Additionally, City employees and their bargaining units agreed to contribute a portion of their pension contribution.

City of Montebello
General Fund
For the Years Ended June 30,
(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Operating revenues	\$ 33,447	\$ 31,535	6.1%
Operating expenditures	<u>41,947</u>	<u>46,944</u>	-10.6%
Excess of revenues over (under) expenditures	(8,500)	(15,409)	-44.8%
Net operating transfers and other	<u>20,158</u>	<u>8,727</u>	131.0%
Surplus (deficit)	11,658	(6,682)	-274.5%
Beginning fund balance	<u>(6,682)</u>	<u>-</u>	-100%
Ending fund balance	<u>\$ 4,976</u>	<u>\$ (6,682)</u>	

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Financial Analysis of the Government's Funds (Continued)

The Montebello Redevelopment Agency Debt Service Fund balance of \$12.8 million is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$575,000. Approximately \$11.3 million of the Debt Service Fund's expenditures was to pay for existing debt service, which included the payoff of a \$4.7 million outstanding Tax Allocation Bond due to the General Fund in December 2011. \$3.5 Million of net transfers were used to pay for capital improvement projects out of Debt Service Fund property tax increment proceeds.

The Capital Improvements Fund ended with a fund balance of \$2.6 million as of June 30, 2011. \$5.3 Million of capital expenses were incurred in the Capital Improvement Fund during the fiscal year ended June 30, 2011. \$7.7 Million was transferred in from various funds to cover this capital outlay as well as capital outlays expended during prior periods. \$2.3 Million of the Capital Improvement Fund balance is restricted for capital projects and the remaining fund balance is land held by the City for resale.

The Montebello Redevelopment Agency Capital Projects Fund has a total fund balance of \$21.2 million, reflecting a net decrease from year ended June 30, 2010 of \$14.9 million. \$13.5 Million of this net decrease is as a result of prepaying the General Fund pursuant to the restructuring of the 2000 COP Agreement, and the accompanying lease agreement between the City and the Agency (see Note 12 of the accompanying financial statements.) All of the Agency's Capital Projects Fund balance at June 30, 2011 is considered nonspendable (representing noncurrent assets or investments of land held for resale) or restricted for capital projects.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Transit System incurred an operating loss of \$17.3 million. This operating loss was offset by nonoperating revenues and capital contributions net of transfers of \$16.8 million, resulting in a decrease in net assets of \$506,000 after transfers in.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Financial Analysis of the Government's Funds (Continued)

Proprietary Funds (Continued)

The City's Golf Course facility reflected an operating loss of \$193,000 on revenues of \$2.6 million and a net decrease in assets for the year ended June 30, 2011 of \$394,000. However, net cash provided from operations of the Golf Course facility amounted to \$171,000.

The Montebello Hilton reflected operating income of \$693,000; adding nonoperating expenses of \$1.5 resulted in a net decrease in net assets of \$780,000. \$1.3 million of nonoperating expenses and transfers represent transfers of capital from its hotel operations into various funds held by the Trustee of the Hotel's funds.

General Fund Budgetary Highlights

For fiscal year ended June 30, 2011, the General Fund was budgeted to operate at a \$1.4 million deficit. Actual operating results indicate the General Fund operated at a \$11.7 million surplus for the year ended June 30, 2011. This is primarily due to the restructuring of the 2000 COP Agreement with the RDA to prepay its obligations under this agreement in the amount of \$13.5 million. Operating revenues increased by \$1.9 million while operating expenses decreased by \$5.0 million from last year as a result of cost-cutting measures instituted to reduce the projected deficit. Material differences between budget and actual are summarized as follows:

- \$716,061 increase in revenues over budget;
- \$1,003,567 decrease in Police Department expenditures over budget;
- \$1,199,001 decrease in Fire Department expenditures over budget;
- \$1,014,918 increase in Public Works expenditures over budget; and
- \$1,124,909 increase in Transfers in from other funding sources over budget.

Other funding sources, were used to augment the under-funded Public Works budget.

CITY OF MONTEBELLO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$149.3 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 2.5%.

The implementation of GASB Statement 34 required the City to perform an inventory of its capital assets. The objective of this inventory was to develop cost data that could be used to comply with the infrastructure and capital asset reporting requirements.

The following asset classes were inventoried:

- Sewer system, including sewer pipes, pumping stations, manholes, and laterals;
- Storm drain system, including storm drain pipes, flood control channels, and catch basins;
- Streets, including pavement, curb and gutter, sidewalks, medians, greenways, block walls, and traffic signals;
- Buildings, including buildings, building remodels, building lighting systems, building equipment, and building roofs; and
- Parks, including associated structures and infrastructure assets.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

City of Montebello
Summary of Capital Assets, Net of Depreciation
For the Year Ended June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 8,666	\$ 8,666	\$ 6,306	\$ 6,306	\$ 14,972	\$ 14,972
Rights of way	14,392	14,392	-	-	14,392	14,392
Buildings and improvements	41,864	43,073	15,290	15,954	57,154	59,027
Machinery and equipment	9,600	11,955	33,398	33,503	42,998	45,458
Construction in progress	-	-	111	-	111	-
Infrastructure	19,705	19,296	-	-	19,705	19,296
Total Net Capital Assets	<u>\$ 94,227</u>	<u>\$ 97,382</u>	<u>\$ 55,105</u>	<u>\$ 55,763</u>	<u>\$ 149,332</u>	<u>\$ 153,145</u>

Major capital asset transactions during the fiscal year included the following:

- Buildings and improvement additions and renovations totaled approximately \$1.6 million and
- Machinery, equipment, and automotive equipment additions totaled approximately \$2.9 million.

Additional information on the City's capital assets can be found in Note 3 to the basic financial statements section of this report.

CITY OF MONTEBELLO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Capital Asset and Debt Administration (Continued)

Long-term Debt

At the end of fiscal year 2010-11, the City had total debt outstanding of \$122.3 million. Of this amount, \$64.6 million comprised debt backed by pledged tax revenues and \$57.7 million related to revenue bond, certificates of participation, note payable, other post-employment benefit obligation, noncurrent compensated leave, and self-insurance payable. Outstanding debt is summarized below.

City of Montebello
Summary of Long-term Debt
For the Year Ended June 30,
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Tax allocation bonds	\$ 64,603	\$ 67,022	-	-	\$ 64,603	\$ 67,022
Certificate of participation	19,214	20,468	\$4,801	\$4,982	24,015	25,450
Revenue bonds, net	14,875	15,100	-	-	14,875	15,100
Other post-employment benefit obligation	3,574	2,215	-	-	3,574	2,215
Note payable	11,472	12,253	-	-	11,472	12,253
Compensated absences	3,011	2,962	950	887	3,961	3,849
Totals	<u>\$116,749</u>	<u>\$120,020</u>	<u>\$5,751</u>	<u>\$5,869</u>	<u>\$122,500</u>	<u>\$125,889</u>

Additional information on the City's long-term debt can be found in Note 8 to the basic financial statements section of this report.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

Economic Factors and Next Year's Budgets and Rates

- Since 1992-93 the State Legislature has passed legislation to reallocate funds from local government and redevelopment agencies to school districts by shifting a portion of each agency's property tax revenue, net of amount due to other taxing agencies, to school districts for deposit in the Education Revenue Augmentation Fund (ERAF). The City and Redevelopment Agency lost a combined \$6.6 million; \$5.5 million in 2009-10 and \$1.1 million in 2010-11, respectively.
- A constitutional amendment (Proposition 1A), passed by State voters on November 2, 2004, limits the reductions of local government revenues in 2009 and future years.
- Retirement and health benefit costs will continue to increase as the City's PERS rate changes due to actuarial data and investment rates.

Other

On December 27, 2011, the California State Supreme Court issued its ruling in California Redevelopment Association et al v. Ana Matosantos et al. (Lawsuit), the case challenging the constitutionality of Assembly Bill X1 26 (AB X1 26) and Assembly Bill X1 27 (AB X1 27), the bills that sought to force redevelopment agencies to pay \$1.7 billion to the State of California under threat of elimination. In its ruling the Court upheld AB X1 26, the bill that dissolves all redevelopment agencies. However it found that AB X1 27, which allows redevelopment agencies to avoid elimination by making certain payments to offset state budget expenses, is unconstitutional. As a result, all redevelopment agencies are required to dissolve and transfer their assets and liabilities to "successor agencies" that will wind down the redevelopment agencies' affairs.

This outcome is a devastating blow to local governments in California and will severely hurt redevelopment and economic development efforts across the State. While legislation may be introduced to mitigate the impact of this ruling, cities, counties and their redevelopment agencies have several immediate obligations that must be met under AB X1 26 as modified by the ruling.

On January 11, 2012, the Montebello City Council, by vote, agreed to become the Successor Agency to the Montebello Redevelopment Agency, as well as exercised its option under the ruling to retain the Agency's affordable housing assets and functions, excluding unencumbered amounts in the low and moderate income housing fund, effective February 1, 2012. As of January 31, 2012, the Montebello Redevelopment Agency was dissolved.

CITY OF MONTEBELLO

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2011

Other (Continued)

As part of this dissolution, assets are to be transferred to the Successor Agency. The Agency is required to prepare a preliminary draft Recognized Obligation Payment Schedule (the ROPS) by January 30, 2012.

As Successor Agency, the City must prepare a subsequent draft ROPS by March 1, 2012. The draft ROPS will be submitted to the oversight board, and once approved must be completed and delivered to the County Auditor-Controller, State Controller, and State Department of Finance no later than April 15, 2012.

As of the date of these financial statements, the California Department of Finance, the Los Angeles County Assessor's Office, the State Controller's Office, and other governmental agencies continue to provide guidance to the Successor Agencies, and are in the process of formalizing procedures with which the Successor Agencies can follow.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance Department, City of Montebello, 1600 W. Beverly Blvd., Montebello, CA 90640 or by phone at (323) 887-1412.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF MONTEBELLO
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and investments (Note 2)	\$ 38,842,506	\$ 2,393,558	\$41,236,064
Receivables:			
Interest	1,587,937	-	1,587,937
Accounts	3,168,615	1,100,834	4,269,449
Property tax	2,662,884	-	2,662,884
Notes (Note 5)	12,341,943	-	12,341,943
Property held for resale	9,492,455	-	9,492,455
Inventories	1,033,018	3,530	1,036,548
Prepaid items and deposits	-	12,347	12,347
Bond issuance cost	1,484,197	-	1,484,197
Internal balances	1,551,260	(1,551,260)	-
Restricted assets (Note 2):			
Cash and investments with fiscal agent	12,697,955	302,069	13,000,024
Capital assets (Note 3):			
Land	8,665,644	6,306,596	14,972,240
Right of way	14,391,776	-	14,391,776
Depreciable buildings and improvements, net	41,863,787	15,290,145	57,153,932
Depreciable machinery and equipment, net	9,599,864	33,398,345	42,998,209
Construction in progress	-	111,372	111,372
Infrastructure, net	19,704,794	-	19,704,794
TOTAL ASSETS	<u>179,088,635</u>	<u>57,367,536</u>	<u>236,456,171</u>
LIABILITIES:			
Accounts payable and accrued liabilities	2,855,269	6,449,486	9,304,755
Amounts due to other governmental agencies	1,362,289	-	1,362,289
Interest payable	1,192,476	-	1,192,476
Deposits payable	-	44,316	44,316
Unearned revenue	9,990,060	704,476	10,694,536
Claims payable (Note 11)	11,011,339	-	11,011,339
Noncurrent liabilities (Note 8):			
Due within one year	7,067,966	954,294	8,022,260
Due in more than one year	109,681,194	4,796,988	114,478,182
TOTAL LIABILITIES	<u>143,160,593</u>	<u>12,949,560</u>	<u>156,110,153</u>
NET ASSETS:			
Invested in capital assets, net of related debt	50,421,445	50,305,058	100,726,503
Restricted for:			
Community development	7,017,582	-	7,017,582
Debt service	19,520,813	-	19,520,813
Unrestricted	<u>(41,031,798)</u>	<u>(5,887,082)</u>	<u>(46,918,880)</u>
TOTAL NET ASSETS	<u>\$ 35,928,042</u>	<u>\$ 44,417,976</u>	<u>\$80,346,018</u>

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government activities:				
General government	\$ 6,003,579	\$ 4,171,044	\$ 681,297	-
Public safety	30,196,363	2,570,877	1,036,689	-
Public works	5,916,177	4,911,495	3,767,060	-
Parks, recreation, and culture	4,955,587	602,711	5,446	-
Housing and community development	11,811,986	-	2,792,696	-
Unallocated infrastructure depreciation	704,807	-	-	-
Interest on long-term debt	5,143,129	-	-	-
Total government activities	<u>64,731,628</u>	<u>12,256,127</u>	<u>8,283,188</u>	<u>-</u>
Business-type activities:				
Transit	23,653,069	6,340,026	16,398,554	\$ 3,226,572
Golf course	3,028,680	2,633,844	-	-
Hilton	3,483,481	4,027,805	-	-
Water utility	1,675,159	1,313,715	-	-
Detention facility	458,592	201,600	-	-
Total business-type activities	<u>32,298,981</u>	<u>14,516,990</u>	<u>16,398,554</u>	<u>3,226,572</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 97,030,609</u>	<u>\$ 26,773,117</u>	<u>\$ 24,681,742</u>	<u>\$ 3,226,572</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Franchise taxes

Sales tax

Transient occupancy tax

Other taxes

Other revenues

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of year, as restated (Note 17)

Net assets - End of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,151,238)	-	\$ (1,151,238)
(26,588,797)	-	(26,588,797)
2,762,378	-	2,762,378
(4,347,430)	-	(4,347,430)
(9,019,290)	-	(9,019,290)
(704,807)	-	(704,807)
(5,143,129)	-	(5,143,129)
<u>(44,192,313)</u>	<u>-</u>	<u>(44,192,313)</u>
-	\$ 2,312,083	2,312,083
-	(394,836)	(394,836)
-	544,324	544,324
-	(361,444)	(361,444)
<u>-</u>	<u>(256,992)</u>	<u>(256,992)</u>
<u>-</u>	<u>1,843,135</u>	<u>1,843,135</u>
<u>(44,192,313)</u>	<u>1,843,135</u>	<u>(42,349,178)</u>
26,319,201	-	26,319,201
1,311,388	-	1,311,388
10,446,061	-	10,446,061
255,705	-	255,705
5,291,513	-	5,291,513
2,078,045	-	2,078,045
260,297	10,990	271,287
<u>5,143,761</u>	<u>(4,020,809)</u>	<u>1,122,952</u>
<u>51,105,971</u>	<u>(4,009,819)</u>	<u>47,096,152</u>
<u>6,913,658</u>	<u>(2,166,684)</u>	<u>4,746,974</u>
<u>29,014,384</u>	<u>46,584,660</u>	<u>75,599,044</u>
<u>\$ 35,928,042</u>	<u>\$ 44,417,976</u>	<u>\$ 80,346,018</u>

CITY OF MONTEBELLO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Debt Service Fund Redevelopment Agency
ASSETS		
Cash and investments (Note 2)	\$ 8,813,725	\$ 1,799,215
Cash and investments with fiscal agent (Note 2)	-	4,793,858
Receivables:		
Interest	-	-
Accounts	2,166,275	-
Property taxes	138,033	2,108,416
Notes (Note 5)	-	-
Due from other funds (Note 6)	3,860,946	7,250,000
Inventory	83,346	-
Investment in land held for resale	-	-
TOTAL ASSETS	\$ 15,062,325	\$ 15,951,489
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,682,670	-
Amounts due to other governmental agencies (Note 7)		\$ 1,362,289
Due to other funds (Note 6)	8,400,000	1,790,406
Deferred revenue	4,079	-
TOTAL LIABILITIES	10,086,749	3,152,695
FUND BALANCES (DEFICIT):		
Nonspendable:		
Inventory	83,346	-
Noncurrent notes receivable	-	-
Noncurrent interest - notes receivable	-	-
Investment in land held for resale	-	-
Restricted for:		
Debt service	-	12,798,794
Special revenue funds	-	-
Capital projects	-	-
Retirement benefits	-	-
Assigned to:		
Reserves	497,558	-
Unassigned:	4,394,672	-
TOTAL FUND BALANCES (DEFICIT)	4,975,576	12,798,794
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,062,325	\$ 15,951,489

See independent auditors' report and notes to basic financial statements.

Capital Projects			
Fund		Other	Total
Capital	Redevelopment	Governmental	Governmental
Improvements	Agency	Funds	Funds
\$ 593	\$ 17,870,378	\$ 9,354,965	\$ 37,838,876
-	62,325	7,841,772	12,697,955
-	1,587,937	-	1,587,937
-	19,387	732,019	2,917,681
-	222,802	193,633	2,662,884
1,300,000	9,996,209	1,045,734	12,341,943
2,739,955	-	2,136,495	15,987,396
-	-	-	83,346
<u>247,228</u>	<u>9,245,227</u>	<u>-</u>	<u>9,492,455</u>
<u>\$ 4,287,776</u>	<u>\$ 39,004,265</u>	<u>\$ 21,304,618</u>	<u>\$ 95,610,473</u>
\$ 395,926	\$ 305,743	\$ 196	\$ 2,384,535
-	10,001,185	2,637,046	1,362,289
<u>1,300,000</u>	<u>7,518,845</u>	<u>2,755,073</u>	<u>22,828,637</u>
<u>1,695,926</u>	<u>17,825,773</u>	<u>5,392,315</u>	<u>38,153,458</u>
-	-	-	83,346
-	4,090,301	-	4,090,301
-	1,587,937	-	1,587,937
247,228	9,245,227	-	9,492,455
-	-	6,722,019	19,520,813
-	-	7,017,582	7,017,582
2,344,622	20,676,778	1,970,384	24,991,784
-	-	202,318	202,318
-	-	-	497,558
-	(14,421,751)	-	(10,027,079)
<u>2,591,850</u>	<u>21,178,492</u>	<u>15,912,303</u>	<u>57,457,015</u>
<u>\$ 4,287,776</u>	<u>\$ 39,004,265</u>	<u>\$ 21,304,618</u>	<u>\$ 95,610,473</u>

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF MONTEBELLO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2011

Fund balance - total governmental funds		\$ 57,457,015
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.		94,102,041
Long-term assets are not available as current resources, therefore, are reported as deferred in the governmental funds:		
Accounts receivable		250,934
Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds. Bond issuance costs are not current financial resources and are not reported in the governmental funds.		
Balances at June 30, 2011 are:		
Certificates of participation	\$ (19,213,600)	
Tax allocation bonds	(64,603,222)	
Revenue bonds	(15,575,000)	
Loans payable	(11,471,926)	
Compensated absences	(2,746,190)	
Other post-benefit obligation	(3,573,625)	
Bond issuance costs	1,484,197	
Bond issuance discount	113,733	
Deferred amount on refunding	<u>585,410</u>	
Total long-term liabilities and related items		(115,000,223)
Interest receivable, which is not considered to be available to finance current expenditures, is reported as deferred revenue in the governmental funds. For the government-wide financial statements, this amount is recognized as the amount pertains to the current fiscal year.		
Deferred revenue		1,587,937
Internal service funds are used by management to charge the costs of various City activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets, but are not included in the governmental funds balance		(1,277,186)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(1,192,476)</u>
Net assets of governmental activities		<u>\$ 35,928,042</u>

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	<u>General</u>	<u>Debt Service Fund Redevelopment Agency</u>
REVENUES:		
Sales taxes	\$ 10,413,127	-
Property taxes	3,213,997	\$ 14,226,315
Other taxes	339,096	-
Franchise taxes	1,311,388	-
Licenses and permits	4,971,483	-
Fines and forfeitures	1,781,681	-
Investment income	9,355	51,343
Revenue from other agencies	5,291,513	-
Charges for services	5,502,963	-
Other revenue	<u>612,244</u>	<u>-</u>
TOTAL REVENUES	<u>33,446,847</u>	<u>14,277,658</u>
EXPENDITURES:		
Current:		
General government	2,330,273	-
Public safety	28,315,808	-
Public works	5,825,853	-
Parks and recreation	4,032,008	-
Housing and community development	1,443,177	87,354
Capital outlay	-	-
Debt service:		
Principal payments	-	7,592,015
Interest and fees	-	3,680,318
Other	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>41,947,119</u>	<u>11,359,687</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,500,272)</u>	<u>2,917,971</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	9,674,909	1,300,000
Transfers out	(3,004,351)	(4,793,117)
Prepayment on lease agreement (Note 12)	<u>13,487,438</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,157,996</u>	<u>(3,493,117)</u>
NET CHANGE IN FUND BALANCES	11,657,724	(575,146)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (NOTE 17)	<u>(6,682,148)</u>	<u>13,373,940</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,975,576</u>	<u>\$ 12,798,794</u>

See independent auditors' report and notes to basic financial statements.

Capital Projects Fund		Other	Total
Capital Improvements	Redevelopment Agency	Governmental Funds	Governmental Funds
-	-	-	\$ 10,413,127
-	\$ 2,319,742	\$ 6,559,146	26,319,200
-	-	-	339,096
-	-	-	1,311,388
-	-	-	4,971,483
-	-	-	1,781,681
\$ 285,420	120,940	17,027	484,085
681,299	-	7,601,889	13,574,701
-	-	-	5,502,963
<u>150,000</u>	<u>1,232,411</u>	<u>-</u>	<u>1,994,655</u>
<u>1,116,719</u>	<u>3,673,093</u>	<u>14,178,062</u>	<u>66,692,379</u>
-	-	-	2,330,273
-	-	-	28,315,808
-	-	-	5,825,853
-	-	-	4,032,008
-	6,020,826	-	7,551,357
5,294,741	-	-	5,294,741
258,000	522,589	1,574,480	9,947,084
-	243,139	1,144,139	5,067,596
-	-	<u>8,625</u>	<u>8,625</u>
<u>5,552,741</u>	<u>6,786,554</u>	<u>2,727,244</u>	<u>68,373,345</u>
<u>(4,436,022)</u>	<u>(3,113,461)</u>	<u>11,450,818</u>	<u>(1,680,966)</u>
7,725,005	3,002,711	3,536,200	25,238,825
-	(1,300,000)	(10,997,596)	(20,095,064)
-	<u>(13,487,438)</u>	<u>-</u>	<u>-</u>
<u>7,725,005</u>	<u>(11,784,727)</u>	<u>(7,461,396)</u>	<u>5,143,761</u>
3,288,983	(14,898,188)	3,989,422	3,462,795
<u>(697,133)</u>	<u>36,076,680</u>	<u>11,922,881</u>	<u>53,994,220</u>
<u>\$ 2,591,850</u>	<u>\$ 21,178,492</u>	<u>\$ 15,912,303</u>	<u>\$ 57,457,015</u>

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF MONTEBELLO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Net change in fund balances - total governmental funds \$ 3,462,795

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 1,252,061	
Depreciation expense	<u>(4,407,349)</u>	
		(3,155,288)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt:

Capital accretion	(415,999)	
Principal payments on bonds and notes	<u>9,947,084</u>	
		9,531,085

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net change in compensated absences for the current period	(74,843)	
Net change in accrued interest for the current period	291,285	
Amortization of deferred amount on refunding	(88,186)	
Amortization of bond issuance costs	(130,900)	
Amortization of bond discount	(8,530)	
Current-year expense for other post-employment benefits	<u>(1,358,131)</u>	
		(1,369,305)

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds:

Investment income	61,633	
Sales tax	<u>32,935</u>	
		94,568

Internal service funds are used by management to charge the costs of self-insurance and capital replacements to individual funds. Net income of the internal service funds is reported with governmental activities.

(1,650,197)

Change in net assets of governmental activities \$ 6,913,658

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2011

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 778,682	\$ 256,308	\$ 208,834
Cash and investments with fiscal agent	-	302,069	-
Accounts receivable	676,334	159,851	127,175
Due from other funds (Note 6)	-	-	-
Inventories	-	1,798	1,732
Prepaid expenses and other current assets	-	-	12,347
TOTAL CURRENT ASSETS	1,455,016	720,026	350,088
NONCURRENT ASSETS:			
Capital assets:			
Land	3,901,596	2,370,000	-
Buildings and improvements	21,376,212	8,763,738	1,603,353
Machinery and equipment	54,482,751	1,885,873	-
Construction in progress	111,372	-	-
Less: Allowance for depreciation	(32,707,594)	(6,734,941)	(286,278)
NET CAPITAL ASSETS	47,164,337	6,284,670	1,317,075
TOTAL ASSETS	48,619,353	7,004,696	1,667,163
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	547,667	175,821	5,302,350
Due to other funds (Note 6)	-	1,551,260	-
Deposits payable	425	400	11,816
Claims payable	-	-	-
Compensated absences	691,125	69,330	-
Unearned revenue	704,476	-	-
Certificates of participation	-	192,880	-
TOTAL CURRENT LIABILITIES	1,943,693	1,989,691	5,314,166
LONG-TERM LIABILITIES:			
Compensated absences	154,347	34,121	-
Certificates of participation	-	4,608,520	-
TOTAL LONG-TERM LIABILITIES	154,347	4,642,641	-
TOTAL LIABILITIES	2,098,040	6,632,332	5,314,166
NET ASSETS (DEFICIT):			
Invested in capital assets, net of related debt	47,164,337	1,483,270	1,317,075
Unrestricted	(643,024)	(1,110,906)	(4,964,078)
TOTAL NET ASSETS (DEFICIT)	\$ 46,521,313	\$ 372,364	\$(3,647,003)

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 1,149,734	\$ 2,393,558	\$ 1,003,630
-	302,069	-
137,474	1,100,834	-
-	-	8,400,000
-	3,530	949,673
-	12,347	-
<u>1,287,208</u>	<u>3,812,338</u>	<u>10,353,303</u>
35,000	6,306,596	108,369
141,284	31,884,587	428,794
2,204,818	58,573,442	643,651
-	111,372	-
<u>(2,040,726)</u>	<u>(41,769,539)</u>	<u>(1,056,990)</u>
<u>340,376</u>	<u>55,106,458</u>	<u>123,824</u>
<u>1,627,584</u>	<u>58,918,796</u>	<u>10,477,127</u>
423,648	6,449,486	470,734
-	1,551,260	7,500
31,675	44,316	-
-	-	11,011,339
959	761,414	264,740
-	704,476	-
-	192,880	-
<u>456,282</u>	<u>9,703,832</u>	<u>11,754,313</u>
-	188,468	-
-	4,608,520	-
-	4,796,988	-
<u>456,282</u>	<u>14,500,820</u>	<u>11,754,313</u>
340,376	50,305,058	123,824
<u>830,926</u>	<u>(5,887,082)</u>	<u>(1,401,010)</u>
<u>\$ 1,171,302</u>	<u>\$ 44,417,976</u>	<u>\$ (1,277,186)</u>

CITY OF MONTEBELLO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2011

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
OPERATING REVENUES:			
Charges for services	\$ 6,093,569	\$ 1,983,255	\$ 4,027,805
Other revenue	246,457	650,589	-
TOTAL OPERATING REVENUES	6,340,026	2,633,844	4,027,805
OPERATING EXPENSES:			
Labor and fringe benefits	11,360,471	982,883	1,192,237
Materials and supplies	-	205,186	-
Food and beverage	-	-	189,678
Repairs and maintenance	4,647,735	17,167	93,808
Purchased water	-	-	-
Utilities	242,643	493,828	159,004
Insurance claims and premiums	-	52,041	60,925
Contract services	1,391,559	375,968	-
Franchise fee	-	-	262,340
Marketing expense	-	-	340,139
Depreciation expense	3,424,009	351,149	100,643
Administrative expense	1,983,191	235,100	935,579
Other expenses	603,461	113,645	-
TOTAL OPERATING EXPENSES	23,653,069	2,826,967	3,334,353
OPERATING INCOME (LOSS)	(17,313,043)	(193,123)	693,452
NONOPERATING REVENUES (EXPENSES):			
Investment income	10,990	-	-
Federal and State grants	16,398,554	-	-
Interest expense	-	(201,713)	(149,128)
TOTAL NONOPERATING REVENUES (EXPENSES)	16,409,544	(201,713)	(149,128)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(903,499)	(394,836)	544,324
CAPITAL CONTRIBUTIONS	3,226,572	-	-
TRANSFERS IN	-	-	-
TRANSFERS OUT	(2,829,267)	-	(1,324,542)
CHANGE IN NET ASSETS	(506,194)	(394,836)	(780,218)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR, AS RESTATED (Note 17)	47,027,507	767,200	(2,866,785)
NET ASSETS (DEFICIT) - END OF YEAR	\$ 46,521,313	\$ 372,364	\$ (3,647,003)

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 1,515,315	\$ 13,619,944	\$ 12,367,561
-	897,046	-
<u>1,515,315</u>	<u>14,516,990</u>	<u>12,367,561</u>
8,592	13,544,183	3,125,361
-	205,186	3,508,022
-	189,678	-
5,330	4,764,040	577,142
1,346,503	1,346,503	-
163,041	1,058,516	-
-	112,966	4,918,857
461,143	2,228,670	656,470
-	262,340	-
-	340,139	-
59,142	3,934,943	1,384
90,000	3,243,870	66,100
-	717,106	41,470
<u>2,133,751</u>	<u>31,948,140</u>	<u>12,894,806</u>
<u>(618,436)</u>	<u>(17,431,150)</u>	<u>(527,245)</u>
-	10,990	-
-	16,398,554	-
-	(350,841)	-
<u>-</u>	<u>16,058,703</u>	<u>-</u>
(618,436)	(1,372,447)	(527,245)
-	3,226,572	-
133,000	133,000	-
<u>-</u>	<u>(4,153,809)</u>	<u>(1,122,952)</u>
(485,436)	(2,166,684)	(1,650,197)
<u>1,656,738</u>	<u>46,584,660</u>	<u>373,011</u>
<u>\$ 1,171,302</u>	<u>\$ 44,417,976</u>	<u>\$ (1,277,186)</u>

CITY OF MONTEBELLO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2011

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 6,093,569	\$ 1,891,788	\$ 4,019,948
Other receipts	246,457	650,589	-
Payments to suppliers	(10,260,200)	(1,390,521)	(1,368,368)
Payments to employees	<u>(11,267,189)</u>	<u>(980,409)</u>	<u>(1,183,630)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(15,187,363)</u>	<u>171,447</u>	<u>1,467,950</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received from federal and State	20,509,441	-	-
Cash received from other funds	-	351,260	-
Cash paid to other funds	<u>(5,829,267)</u>	<u>-</u>	<u>(1,324,542)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>14,680,174</u>	<u>351,260</u>	<u>(1,324,542)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid	-	(201,713)	(149,128)
Principal paid	-	(180,520)	-
Acquisition of capital assets	(3,226,572)	(18,270)	(33,091)
Federal and State capital grants	<u>3,931,048</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>704,476</u>	<u>(400,503)</u>	<u>(182,219)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	197,287	122,204	(38,811)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>581,395</u>	<u>436,173</u>	<u>247,645</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 778,682</u>	<u>\$ 558,377</u>	<u>\$ 208,834</u>

See independent auditors' report and notes to basic financial statements.

<u>Business-type Activities</u>		<u>Governmental</u>
<u>Enterprise Funds (Continued)</u>		<u>Activities</u>
<u>Other</u>	<u>Total</u>	<u>Internal</u>
<u>Enterprise</u>	<u>Enterprise</u>	<u>Service</u>
<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
\$ 1,602,038	\$ 13,607,343	\$ 12,377,561
-	897,046	-
(1,868,247)	(14,887,336)	(8,973,834)
<u>(8,621)</u>	<u>(13,439,849)</u>	<u>(3,150,909)</u>
<u>(274,830)</u>	<u>(13,822,796)</u>	<u>252,818</u>
-	20,509,441	-
1,363,000	1,714,260	1,747,500
-	<u>(7,153,809)</u>	<u>(1,122,952)</u>
<u>1,363,000</u>	<u>15,069,892</u>	<u>624,548</u>
-	(350,841)	-
-	(180,520)	-
-	(3,277,933)	-
-	<u>3,931,048</u>	-
<u>-</u>	<u>121,754</u>	<u>-</u>
1,088,170	1,368,850	877,366
<u>61,564</u>	<u>1,326,777</u>	<u>126,264</u>
<u>\$ 1,149,734</u>	<u>\$ 2,695,627</u>	<u>\$ 1,003,630</u>

CITY OF MONTEBELLO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

For the year ended June 30, 2011

	Business-type Activities Enterprise Funds		
	Transit	Golf Course	Montebello Hilton
	RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (17,313,043)	\$ (193,123)	\$ 693,452
Depreciation and amortization	3,424,009	351,149	100,643
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(91,467)	(7,857)
(Increase) decrease in inventories	-	40,560	(134)
(Increase) decrease in prepaid expenses	-	-	(3,862)
Increase (decrease) in accounts payable and accrued liabilities including compensated absences	(1,298,329)	64,328	677,101
Increase (decrease) in deposits payable	-	-	8,607
Increase (decrease) in claims payable	-	-	-
	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (15,187,363)	\$ 171,447	\$ 1,467,950

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ (618,436)	\$ (17,431,150)	\$ (527,245)
59,142	3,934,943	1,384
86,723	(12,601)	10,000
-	40,426	(104,692)
-	(3,862)	1,122
197,741	(359,159)	190,035
-	8,607	-
<u>-</u>	<u>-</u>	<u>682,214</u>
<u>\$ (274,830)</u>	<u>\$ (13,822,796)</u>	<u>\$ 252,818</u>

CITY OF MONTEBELLO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DEPOSITS AGENCY FUND

June 30, 2011

	Deposits Agency Fund
ASSETS:	
Cash and investments	<u>\$ 1,560,617</u>
LIABILITIES:	
Deposits payable	<u>\$ 1,560,617</u>

See independent auditors' report and notes to basic financial statements.

CITY OF MONTEBELLO

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DEPOSITS AGENCY FUND

For the year ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and investments	<u>\$ 1,331,282</u>	<u>\$ 250,679</u>	<u>\$ (21,344)</u>	<u>\$ 1,560,617</u>
LIABILITIES:				
Deposits payable	<u>\$ 1,331,282</u>	<u>\$ 250,679</u>	<u>\$ (21,344)</u>	<u>\$ 1,560,617</u>

See independent auditors' report.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of Financial Reporting Entity

The basic financial statements of the City of Montebello include the activities of the City of Montebello (City), Montebello Redevelopment Agency (Agency), Montebello Public Improvement Corporation (MPIC), Montebello Public Financing Authority (Authority), and Water System Improvement Corporation (WSIC).

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The City of Montebello is the primary government unit. Component units are those entities that are financially accountable to the primary government, either because the governing board of the component units and the City are the same, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency, MPIC, the Authority, and WSIC as "blended" component units because the governing board of the component units are substantially the same as the City and the component units provide services exclusively to the City. Accordingly, these financial statements present the City and its component units, the Agency, MPIC, the Authority, and WSIC. Each blended component unit has a June 30 year-end.

The City of Montebello

The City of Montebello was incorporated on October 16, 1920 and conducts its operations as a general law, Council/Administrator City.

Montebello Redevelopment Agency

The Montebello Redevelopment Agency was formed in May 1969. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational, and public facilities. The Agency has established three redevelopment project areas encompassing approximately 1,615 acres. The activities of the Agency are reported in the Debt Service and Capital Project Funds.

Montebello Public Improvement Corporation

The Montebello Public Improvement Corporation was formed in June 1990 as a nonprofit corporation. MPIC was formed for the purpose of acquisition and construction of various projects to be leased to the City under a lease agreement. The MPIC is not active.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of Financial Reporting Entity (Continued)

Montebello Public Financing Authority

The Montebello Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated September 2, 1997, entered into by the City and the Agency for the purpose, among others, of issuing bonds to be used to provide financial assistance to its members. The activities of the Authority are reported in the Debt Service and Capital Projects Funds.

Water System Improvement Corporation

The Water System Improvement Corporation was formed in July 1972. The WSIC was formed for the purpose of rendering assistance to the City by leasing to the City any asset acquired or improvement to the City's Water System facilities. The WSIC is not active.

Complete financial statements for the Montebello Redevelopment Agency may be obtained from the City of Montebello, Finance Department, 1600 W. Beverly Boulevard, Montebello, CA 90640. Separate financial statements are not prepared for the Montebello Public Financing Authority, Montebello Public Improvement Corporation, and the Water System Improvement Corporation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's enterprise activities and various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the City's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements, include financial information that primarily represents assets held by the City in a custodial capacity for other individuals or organizations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance nonspendable accounts.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period with the exception of interest not expected to be received within 60 days. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

All government-wide and business-type activities of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The Redevelopment Agency Debt Service Fund is used to account for the accumulation of resources required for the payment of interest and principal on all Agency tax allocation bonds.

The Capital Improvements Capital Projects Fund is used to account for financial resources segregated for the acquisition of major capital facilities other than those financed by proprietary funds.

The Redevelopment Agency Capital Projects Fund is used to account for financial resources segregated for the acquisition of and rehabilitation of capital facilities within the redevelopment project areas.

The City reports the following major enterprise funds:

The Transit Fund is used to account for all revenues and expenses related to the operations of the City's transit service.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Fund Classifications (Continued)

The Golf Course Fund is used to account for all revenues and expenses related to the operations of the Montebello Municipal Golf Course.

The Montebello Hilton Fund is used to account for revenues and expenses related to the operations of the Montebello Hilton. Capital assets and related debt are not reported in the fund as any shortfall related to debt service payments are payable from tax revenues of the Montebello Redevelopment Agency.

The City's fund structure also includes the following fund types:

Governmental Funds:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Debt Service Funds are used to account for the accumulation of resources required for the payment of principal and interest on the City's and the Authority's debt.

The Capital Projects Funds are used to account for proceeds received and issuance of bonds for capital improvements.

Proprietary Funds:

The Enterprise Funds are used to account for operations that provide services to the general public that are financed primarily by user charges or where the periodic measurement of net increase is deemed appropriate.

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include vehicle, equipment, and insurance services.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Fund Classifications (Continued)

Fiduciary Fund:

The Agency Fund is used to account for the resources (deposits) held by the City in a fiduciary capacity for individuals, governmental entities, and others.

E. Net Assets:

In the government-wide financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consists of assets, net of any related liabilities, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

F. Fund Balances:

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011. In accordance with GASB Statement No. 54, the City classifies governmental fund balances as follows:

- Nonspendable - Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the City Council and does not lapse at year-end.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED):

F. Fund Balances (Continued)

- Assigned - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by City Council or by an official or body to which the City Council delegates the authority.
- Unassigned - All amounts not included in other spendable classifications.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal contracts that prohibit doing this. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy. However, in June 2011, the City Council adopted financial guidelines, which included efforts to maintain a minimum reserve for contingencies up to 8.33% of the General Fund current year fiscal budget.

G. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of one year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, bridges, and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2011.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Capital Assets (Continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The lives used for depreciation purposes of each capital asset class are:

Buildings	10 to 50 years
Machinery	5 to 30 years
Equipment	5 to 10 years
Infrastructure	20 to 50 years

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition, cash invested in the City's cash management pool is considered to be a cash equivalent.

I. Investments

Investments are reported at fair value, except for the investment contracts with fiscal agents and the investment in Redevelopment Agency bonds that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

J. Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value.

K. Inventories

In governmental funds, inventories are valued at cost on a first-in, first-out basis. The City follows the consumption method for inventory control. Inventory items are reported as expenditures when consumed.

In proprietary funds, inventories are valued at the lower of cost or market on a first-in, first-out basis.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Vacation and Sick Leave

Compensated absences are accounted for in accordance with GASB Codification Section C60. It is the City's policy to permit employees to accumulate limited amounts of earned but unused vacation and sick leave benefits, which will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation and sick leave benefits are recognized when payments are made to employees. Proprietary fund types accrue vacation and sick leave benefits in the period they are earned. The total compensated absences liability of \$3,010,930 reported in the governmental activities includes \$2,746,190 to be paid by governmental funds and \$264,740 accrued in the internal service funds.

M. Property Taxes

The assessment, levy, and collection of property taxes are the responsibility of the County of Los Angeles. The City records property taxes as revenue when received from the County, except at year-end, when property taxes received within 60 days are accrued as revenue.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1
Levy date	July 1
Due date	November 1 - 1 st installment March 1 - 2 nd installment
Collection date	December 10 - 1 st installment April 10 - 2 nd installment

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectability of its receivables (including accounts receivable and notes receivable), the valuation of property held for resale, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2011 consisted of the following:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 41,236,064	\$ 1,560,617	\$ 42,796,681
Restricted assets:			
Cash and investments with fiscal agents	<u>13,000,024</u>	<u>-</u>	<u>13,000,024</u>
Total Cash and Investments	<u>\$ 54,236,088</u>	<u>\$ 1,560,617</u>	<u>\$ 55,796,705</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Cash and investments at June 30, 2011 consisted of the following:

	<u>Amount</u>
Cash on hand	\$ 9,413
Deposits with financial institutions	9,240,235
Investments	<u>46,547,057</u>
Total	<u>\$ 55,796,705</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>
United States Treasury Obligations	5 years	80%
United States Government Sponsored Enterprises Securities	365 days	50%
Banker's Acceptances	180 days	40%
Commercial Paper	270 days	25%
Negotiable Certificates of Deposit	5 years	30%
Repurchase Agreements	1 day	40%
Money Market Mutual Funds	(1)	25% **
Certificates of Deposit	(2)	None
County Pooled Investment Funds	(1)	10%
Local Agency Investment Fund (LAIF)	(1)	lesser of 60% or \$20,000,000
State and Local Obligations	N/A	30%

(1) Not applicable/on demand

(2) Subject to agreement entered into with depository

* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

** - 5% of the City's surplus funds

N/A - Not applicable

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentrations of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	None	None	None
United States Government - Sponsored Enterprises Securities	None	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

N/A - Not applicable

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal policy to manage interest rate risk. However, one of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13-60 Months	More Than 60 Months	
Local Agency Investment				
Fund (LAIF)	\$ 27,453,806	-	-	\$ 27,453,806
Money Market Mutual Funds	6,093,227	-	-	6,093,227
Cash and investments with fiscal agents:				
Investment Contracts	-	-	\$ 691,345	691,345
Money Market Mutual Funds	12,308,679	-	-	12,308,679
Totals	<u>\$ 45,855,712</u>	<u>\$ -</u>	<u>\$ 691,345</u>	<u>\$ 46,547,057</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating - by Standard and Poor's - as of year-end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2011</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Required to be Rated</u>	<u>Unrated</u>
Local Agency Investment Fund (LAIF)	\$ 27,453,806	N/A	-	-	\$ 27,453,806
Money Market Mutual Funds	6,093,227	A	\$ 6,093,227	-	-
Cash and investments with fiscal agents: Investment Contracts	691,345	N/A	-	-	691,345
Money Market Mutual Funds	<u>12,308,679</u>	A	<u>12,308,679</u>	-	-
Totals	<u>\$ 46,547,057</u>		<u>\$ 18,401,906</u>	<u>\$ -</u>	<u>\$ 28,145,151</u>

N/A - Not Applicable

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2011, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balance of the deposits was collateralized as required by California Law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2011, the City had a contractual withdrawal value of \$27,410,594 whose pro-rata share of fair value was estimated by the State Treasurer to be \$27,453,806.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

3. CAPITAL ASSETS:

A summary of changes in the governmental activities capital assets at June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,665,644	-	-	\$ 8,665,644
Right of way	<u>14,391,776</u>	<u>-</u>	<u>-</u>	<u>14,391,776</u>
Total capital assets, not being depreciated	<u>23,057,420</u>	<u>-</u>	<u>-</u>	<u>23,057,420</u>
Capital assets, being depreciated:				
Buildings and improvements	56,014,215	-	-	56,014,215
Machinery and equipment	43,679,534	\$ 138,856	-	43,818,390
Infrastructure	<u>47,296,452</u>	<u>1,113,205</u>	<u>-</u>	<u>48,409,657</u>
Total capital assets, being depreciated	<u>146,990,201</u>	<u>1,252,061</u>	<u>-</u>	<u>148,242,262</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(12,941,142)	(1,209,286)	-	(14,150,428)
Machinery and equipment	(31,723,886)	(2,494,640)	-	(34,218,526)
Infrastructure	<u>(28,000,056)</u>	<u>(704,807)</u>	<u>-</u>	<u>(28,704,863)</u>
Total accumulated depreciation	<u>(72,665,084)</u>	<u>(4,408,733)</u>	<u>-</u>	<u>(77,073,817)</u>
Total capital assets, being depreciated, net	<u>74,325,117</u>	<u>(3,156,672)</u>	<u>-</u>	<u>71,168,445</u>
Governmental activities capital assets, net	<u>\$97,382,537</u>	<u>\$ (3,156,672)</u>	<u>\$ -</u>	<u>\$ 94,225,865</u>

See independent auditors' report

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

3. CAPITAL ASSETS (CONTINUED):

A summary of changes in the business-type activities capital assets at June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,306,596	-	-	\$ 6,306,596
Construction in progress	<u>-</u>	<u>\$ 111,372</u>	<u>-</u>	<u>111,372</u>
Total capital assets, not being depreciated	<u>6,306,596</u>	<u>111,372</u>	<u>-</u>	<u>6,417,968</u>
Capital assets, being depreciated:				
Buildings and improvements	31,511,866	372,721	-	31,884,587
Machinery and equipment	<u>55,779,602</u>	<u>2,793,840</u>	<u>-</u>	<u>58,573,442</u>
Total capital assets, being depreciated	<u>87,291,468</u>	<u>3,166,561</u>	<u>-</u>	<u>90,458,029</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(15,558,154)	(1,036,288)	-	(16,594,442)
Machinery and equipment	<u>(22,276,441)</u>	<u>(2,898,656)</u>	<u>-</u>	<u>(25,175,097)</u>
Total accumulated depreciation	<u>(37,834,595)</u>	<u>(3,934,944)</u>	<u>-</u>	<u>(41,769,539)</u>
Total capital assets, being depreciated, net	<u>49,456,873</u>	<u>(768,383)</u>	<u>-</u>	<u>48,688,490</u>
Business-type activities capital assets, net	<u>\$ 55,763,469</u>	<u>\$ (657,011)</u>	<u>\$ -</u>	<u>\$ 55,106,458</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

3. CAPITAL ASSETS (CONTINUED):

Depreciation Expense:

Depreciation expense was charged to City functions/programs as follows:

	<u>Amount</u>
General government	\$ 590,135
Public safety	1,880,555
Public works	90,324
Parks, recreation, and culture	923,579
Housing and community development	217,949
Internal service funds depreciation charged to programs based on asset usage	<u>1,384</u>
Allocated depreciation	3,703,926
Unallocated infrastructure depreciation	<u>704,807</u>
Total depreciation expense - governmental activities	<u>\$4,408,733</u>

Depreciation expense was charged to the business-type activities as follows:

	<u>Amount</u>
Transit	\$3,424,009
Golf Course	351,149
Montebello Hilton	100,643
Other programs	<u>59,143</u>
Total depreciation expense - business-type activities	<u>\$3,934,944</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

4. INVESTMENT IN BONDS:

On June 30, 1993, the Montebello Redevelopment Agency issued \$12,263,133 of tax allocation bonds. The City's Capital Improvements Capital Projects Fund purchased the entire bond issue. These bonds are nonrated and were not publicly offered at the time of issuance. The City accepted these bonds, issued by the Agency, as repayment to the City for certain loans, advances, and indebtedness incurred by the Agency. The bonds were repaid in the fiscal year ended June 30, 2011 and the payment of \$4,757,015 is included with the principal payments of the Redevelopment Agency Debt Service Fund.

5. NOTES RECEIVABLE:

Notes receivable at June 30, 2011 include the following:

	<u>Amount</u>
Quiet Cannon, Inc.	\$ 2,244,178
Casa La Merced	666,308
Whittier project	629,600
Business assistance program	742,422
Home improvement loans	437,394
Montebello Downtown Plaza LLC	5,276,308
Community Development Block Grant loans	1,045,733
HOME Program loan	<u>1,300,000</u>
Total	<u>\$ 12,341,943</u>

A. Quiet Cannon, Inc.

The Agency leases a facility to Quiet Cannon, Inc. The Agency agreed to provide financing for the renovation and improvement of the leased facility and in return Quiet Cannon, Inc. agreed to make additional rental payments. As of June 30, 2011, \$2,244,178 remains outstanding on the note receivable.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

5. NOTES RECEIVABLE (CONTINUED):

B. Casa La Merced

Casa La Merced entered into an agreement on September 24, 1985 with the Agency. The agreement with Casa La Merced was for the development of a parcel of land. Casa La Merced agreed to a note payable to the Agency for \$666,308 that matures February 1, 2027. The note has a simple interest rate of 9.25% and the Agency has accrued interest revenue of \$1,587,937 on the note receivable, which is recorded as deferred revenue on the balance sheet.

C. Whittier Project

In March 2000, the Agency entered into an Owner Participation Agreement with Garfield Financial Corporation (Owner), whereby the Agency is to loan the Owner money for the construction of an affordable housing project. In accordance with the agreement, the amounts disbursed shall accrue interest at the rate of 7% compounded annually. The principal and accrued interest was originally payable within two years from the effective date and was later amended to July 23, 2002. In fiscal year 2005, the terms of the note were changed to forgive the loan over a period of 99 years. The loan balance is offset by deferred revenue of a similar amount. The balance of the note receivable at June 30, 2011 was \$629,600.

D. Business Assistance Program

Business improvement loans were made in the current year and prior years between the Agency and local merchants. As of June 30, 2011, \$742,422 remained outstanding on the business improvement loans.

E. Home Improvement Loans

During the current and prior fiscal years, the Agency made home improvement loans to low- and moderate-income households. These loans accrue interest of 4% and are payable in ten years or when the borrower sells their property, whichever comes first. The total outstanding balance as of June 30, 2011 was \$437,394.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

5. NOTES RECEIVABLE (CONTINUED):

F. Montebello Downtown Plaza LLC

On December 26, 2001, the Agency entered into an Owner Participation Agreement (Agreement) with Montebello Downtown Plaza LLC (Participant) for the acquisition, development, and operation of affordable senior citizen rental units and retail commercial buildings. The Agreement was amended and restated on October 26, 2005. The amended Agreement provides that the Agency is to loan a total amount of \$6,250,000 from the Low- and Moderate-Income Housing Fund for the acquisition of property and construction of affordable senior housing units only. The Participant will provide financing for costs in excess of \$6,250,000. Of this amount, the Agency's balance of the loan outstanding at June 30, 2011 was \$5,276,308. The loan is to be forgiven over a period of 99 years. The loan balance is offset by deferred revenue of a similar amount.

G. Community Development Block Grant Loans

At June 30, 2011, loans made to individual homeowners under the Community Development Block Grant program amounted to \$1,045,733. These loans are payable when the borrowers sell the property.

H. HOME Program Loan

On February 10, 2009, the City entered into a loan agreement with Ku & Associates, Inc. (Developer), whereby the City provided financial assistance of \$1,300,000 in the form of a forgivable loan in exchange for housing units in the Developer's proposed multi-family housing project. The occupancy of the housing units will be restricted for very low and low income households only. The City originally received the \$1,300,000 from the US Department of Housing and Urban Development (HUD) under the HOME Investment Partnership (HOME) Program. The Agency's financial assistance will be secured by a lien recorded against real property the Developer purchased with the funds. In accordance with the agreement, the loan shall be repaid by the Developer as an interest-bearing loan, but if the Developer causes all housing units to adhere to affordability requirements for the period required by HOME Program regulations, the loan and all accrued interest will be forgiven.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

5. NOTES RECEIVABLE (CONTINUED):

H. HOME Program Loan (Continued)

On December 22, 2010, the City was notified by HUD during its review of the City's books and records that the City could not provide sufficient documentation with respect to the \$1,300,000 HOME expenditure. The City was ordered to repay HUD \$1,300,000, which it repaid in September 2011.

The City has demanded payment from the developer who failed to provide the City the proper documentation to support the expenditure and has taken legal action to collect the full amount. No interest has been accrued on the note.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of June 30, 2011 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,637,046
	Redevelopment Agency	
	Capital Projects Fund	11,589
	Golf Course	1,204,811
	Internal Service Funds	7,500
Redevelopment Agency	Redevelopment Agency	
Debt Service Fund	Capital Projects Fund	7,250,000
Capital Improvements	Redevelopment Agency	
Capital Projects Fund	Capital Projects Fund	2,739,955
Other Governmental Funds	Redevelopment Agency	
	Debt Service Funds	1,790,406
	Golf Course	346,449
Internal Service Funds	General Fund	8,400,000
Total		<u>\$ 24,387,756</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED):

The City has agreements with the Agency providing for the advance of funds to finance improvements and operations relating to and within the project areas. The agreements provide for reimbursement to the City from any and all funds legally available to the Agency for such payment plus interest at 12% computed from the time of the City's advance of funds to the date of repayment by the Agency. At fiscal year-end, interest is computed for open advances from the time of the City's advance of funds. No interest was charged for the fiscal year ended June 30, 2011. At June 30, 2011, the Agency owed the City \$4,541,591, which is reported in due to other funds in the Redevelopment Agency Capital Projects Fund.

The other interfund payable balances represent routine and temporary cash flow assistance until amounts receivable from the other funds are collected to pay the amounts owed.

The Montebello Redevelopment Agency entered into an agreement dated June 17, 2009 to provide \$2,000,000 to the City of Montebello's Transit Fund to pay for operational expenses of the Transit Fund. The advance is secured by certain property owned by the Transit Fund. The advance is for a five-year term with no interest charged for the first three years and 4% interest for the last two years of the loan. The advance was repaid by the Transit Fund in the fiscal year ended June 30, 2011.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED):

Interfund Transfers

The compositions of the City's interfund transfer balances as of June 30, 2011 are as follows:

Governmental and Business-Type Activities:

	Transfers In					Total	
	General Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Capital Improvements Capital Projects Fund	Other Governmental Funds		Other Enterprise Funds
Transfers Out:							
(A) General Fund	-	-	-	\$ 2,871,351	-	\$ 133,000	\$ 3,004,351
(B) Redevelopment Agency Debt Service	-	-	\$ 3,002,711	-	\$ 1,790,406	-	4,793,117
(C) Redevelopment Agency Capital Projects	-	\$ 1,300,000	-	-	-	-	1,300,000
(D) Other Governmental Funds	\$ 8,551,957	-	-	2,445,639	-	-	10,997,596
(E) Montebello Hilton	-	-	-	-	1,324,542	-	1,324,542
(F) Transit Fund	-	-	-	2,408,015	421,252	-	2,829,267
(G) Internal Service Funds	<u>1,122,952</u>	-	-	-	-	-	<u>1,122,952</u>
Total Governmental Activities	<u>\$ 9,674,909</u>	<u>\$ 1,300,000</u>	<u>\$ 3,002,711</u>	<u>\$ 7,725,005</u>	<u>\$ 3,536,200</u>	<u>\$ 133,000</u>	<u>\$ 25,371,825</u>

- (A) Transfers of \$2,871,351 from the General Fund to the Capital Improvement Capital Projects Fund to pay for capital outlays. Transfer of \$133,000 from the General Fund to the Detention Fund to cover a cash shortfall.
- (B) Transfers of \$4,793,117 from the Redevelopment Agency Debt Service Fund consisted of: (1) \$3,002,711 to the Redevelopment Agency Capital Projects Fund for the 20% housing set-aside and (2) \$1,790,406 to the City Debt Service Fund for lease payments.
- (C) Transfer of \$1,300,000 from the Redevelopment Capital Projects Fund to the Redevelopment Debt Service Fund to provide for debt service on the prepayment agreement.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED):

Interfund Transfers (Continued):

Governmental and Business-Type Activities (Continued)

(D) Transfers of \$10,997,596 from the Other Governmental Funds consisted of: (1) \$8,551,957 to the General Fund for reimbursement of employee retirement benefits, street expenditures, and administrative expenditures and (2) \$2,445,639 of transfers from the Special Revenue Funds to the Capital Improvements Capital Projects Fund for capital expenditure reimbursement.

(E) Transfers of \$1,324,542 from the Montebello Hilton Fund consisted of (1) \$1,048,828 to the Public Financing Authority to pay for debt service and (2) \$275,714 to the Public Financing Authority to pay for capital outlay.

(F) Transfers of \$2,829,267 from the Transit Enterprise Fund consisted of (1) \$2,408,015 to the Capital Improvements Capital Projects Fund and (2) \$421,252 to Measure R Special Revenue Fund to pay for capital improvements.

(G) Transfers of \$1,122,952 from the Equipment Reserve Fund to the General Fund to eliminate the Reserve Fund and to include it in the General Fund.

7. AMOUNTS DUE TO OTHER GOVERNMENTAL AGENCIES:

The Agency is required pursuant to Health and Safety Code Section 33607.7 to make pass-through payments to other governmental agencies. The Agency has amended its project areas to eliminate the time limit on the establishment of debt. The Agency did not make the required payments for the fiscal years ended June 30, 2010 and 2011. The Agency will make these payments when it has funds available.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2011:

Governmental Activities:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Bonds payable:					
Tax allocation bonds	\$ 67,022,224	\$ 415,998	\$ (2,835,000)	\$ 64,603,222	\$ 3,120,000
Revenue bonds	15,895,000	-	(320,000)	15,575,000	365,000
Certificates of participation	<u>20,468,080</u>	<u>-</u>	<u>(1,254,480)</u>	<u>19,213,600</u>	<u>862,120</u>
Subtotal bonds payable	103,385,304	415,998	(4,409,480)	99,391,822	4,347,120
Less: Deferred amounts:					
On refunding	(673,598)	-	88,188	(585,410)	-
Issuance discounts	<u>(122,263)</u>	<u>-</u>	<u>8,530</u>	<u>(113,733)</u>	<u>-</u>
Total bonds payable	102,589,443	415,998	(4,312,762)	98,692,679	4,347,120
Notes payable	12,252,515	-	(780,589)	11,471,926	2,456,106
Compensated absences	3,669,139	2,611,512	(3,269,721)	3,010,930	264,740
Other post-employment benefit obligation (Note 10)	<u>2,215,494</u>	<u>1,660,668</u>	<u>(302,537)</u>	<u>3,573,625</u>	<u>-</u>
Total governmental activities	<u>\$120,726,591</u>	<u>\$4,688,178</u>	<u>\$ (8,665,609)</u>	<u>\$ 116,749,160</u>	<u>\$ 7,067,966</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Golf Enterprise Fund:					
Certificates of participation	\$ 4,981,920	-	\$ (180,520)	\$ 4,801,400	\$ 192,880
Compensated absences	<u>886,915</u>	<u>\$ 864,892</u>	<u>(801,925)</u>	<u>949,882</u>	<u>761,414</u>
Total business-type activities	<u>\$ 5,868,835</u>	<u>\$ 864,892</u>	<u>\$ (982,445)</u>	<u>\$ 5,751,282</u>	<u>\$ 954,294</u>

Governmental Activities:

A. Tax Allocation Bonds

Nonhousing Tax Allocation Bonds:

	<u>Amount</u>
\$7,160,000 1997 Montebello Hills Tax Allocation Parity Refunding Bonds due in annual installments of \$340,000 to \$545,000 through March 1, 2019; interest rate at 4.00% to 5.60%	\$ 3,645,000
\$7,960,000 1998 Montebello Hills Tax Allocation Parity Refunding Bonds, Series A due in annual installments of \$405,000 to \$875,000 through March 1, 2019; interest at 3.75% to 5.00%	5,325,000
\$4,285,000 1998 Montebello Hills Tax Allocation Parity Bonds, Series B (Taxable) due in annual installments of \$205,000 to \$375,000 through March 1, 2019; interest at 5.50% to 6.75%	2,400,000

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

Nonhousing Tax Allocation Bonds (Continued):

	<u>Amount</u>
\$1,510,000 1999 Montebello Hills Tax Allocation Parity Bonds, Series A due in annual installments of \$50,000 to \$105,000 through March 1, 2024; interest at 3.60% to 5.375%	\$ 1,010,000
\$2,918,888 Montebello Hills Tax Allocation Parity Bonds, Series B comprised of Capital Appreciation Serial Bonds accreting semiannually through March 1, 2024; interest at 4.80% to 5.60%	5,923,759
\$2,905,000 2007 Montebello Hills Tax Allocation Parity Refunding Bonds, Series A due in annual installments of \$95,000 to \$440,000 through March 1, 2019; interest at 3.35% to 4.00%	2,630,000
\$3,660,000 2007 Montebello Hills Tax Allocation Parity Refunding Bonds, Series B (Taxable) due in annual installments of \$80,000 to \$360,000 through March 1, 2024; interest at 5.85%	3,360,000
\$10,495,000 2009 Montebello Hills Tax Allocation Bonds, Series A due in annual installments of \$340,000 to \$1,350,000 through March 1, 2027; interest at 5.80% to 7.15%	10,495,000
\$8,260,000 1999 South Montebello Tax Allocation Parity Refunding Bonds, Series A due in annual installments of \$345,000 to \$665,000 through September 1, 2022; interest at 4.00% to 5.50%	5,950,000
\$4,145,000 1999 South Montebello Tax Allocation Parity Refunding Bonds, Series B due in annual installments of \$165,000 to \$655,000 through September 1, 2022; interest at 3.60% to 5.20%	2,770,000
\$6,065,000 2007 South Montebello Tax Allocation Parity Bonds, Series A (Taxable) due in annual installments of \$160,000 to \$675,000 through September 1, 2022; interest at 5.80%	<u>5,610,000</u>
Total Nonhousing Tax Allocation Bonds	<u>\$ 49,118,759</u>

See independent auditors' report

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

1997 Montebello Hills Tax Allocation Parity Refunding Bonds:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2005. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2007 and thereafter	100 %

1998 Montebello Hills Tax Allocation Parity Refunding Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2008. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2010 and thereafter	100 %

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

1998 Montebello Hills Taxable Tax Allocation Parity Bonds, Series B:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2008. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2010 and thereafter	100 %

1999 Montebello Hills Tax Allocation Parity Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2009. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2011 and thereafter	100 %

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

1999 Montebello Hills Tax Allocation Parity Bonds, Series B:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2008. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption are as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2010 and thereafter	100 %

2007 Montebello Hills Tax Allocation Parity Refunding Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2018. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption are as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
Prior to March 1, 2017	Not subject to optional redemption prior to maturity
March 1, 2018 and thereafter	100 %

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

2007 Montebello Hills Tax Allocation Parity Refunding Bonds, Series B (Taxable):

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2008. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption are as follows:

The Series B Bonds maturing on March 1, 2024 are Term Bonds subject to redemption by owner on March 1 of each year in ranges of \$70,000 (March 1, 2008) to \$360,000 (March 1, 2024) from sinking account payments made by the Agency at a redemption price equal to the principal amount plus accrued interest to the redemption date without premium.

2009 Montebello Hills Tax Allocation Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning March 1, 2019. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption are as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
Prior to March 1, 2018	Not subject to optional redemption prior to maturity
March 1, 2019 and thereafter	100 %

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

1999 South Montebello Tax Allocation Parity Refunding Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning September 1, 2009. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 2011 and thereafter	100 %

1999 South Montebello Tax Allocation Parity Refunding Bonds, Series B:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning September 1, 2009. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 2011 and thereafter	100 %

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

2007 South Montebello Tax Allocation Parity Refunding Bonds, Series A (Taxable):

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on any interest payment date beginning September 1, 2009. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below, in each case together with accrued interest to the redemption date.

The Series A Bonds maturing on September 1, 2022 are Term Bonds and shall be subject to redemption, in part pro rata by owner, on September 1 in each year as set forth in ranges of \$145,000 (September 1, 2009) to \$675,000 (September 1, 2022), from sinking account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

	<u>Amount</u>
\$5,550,000 1997 Montebello Housing Taxable Tax Allocation Bonds, Series B due in annual installments of \$270,000 to \$405,000 through September 1, 2019; interest rate at 5.90% to 7.16%	\$ 3,110,000
\$5,557,642 2002 Montebello Housing Tax Allocation Parity Bonds due in annual installments of \$630,000 to \$1,265,907 through September 1, 2024; interest rate at 5.25% to 5.75%	5,969,463
\$8,860,000 2007 Montebello Housing Tax Allocation Parity Refunding Bonds, Series A due in annual installments of \$650,000 to \$685,000 through September 1, 2019; interest rate at 3.38% to 4.00%	<u>6,405,000</u>
Total Housing Tax Allocation Bonds	<u>\$ 15,484,463</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

1997 Taxable Housing Tax Allocation Bonds, Series B:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to mandatory redemption, without premium, on any interest payment date beginning September 1, 2007.

2002 Housing Tax Allocation Parity Bonds:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption on any interest payment date beginning September 1, 2007. The redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) are set forth below:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 2011 and March 1, 2012	101 %
September 1, 2012 and thereafter	100

2007 Housing Tax Allocation Parity Refunding Bonds, Series A:

The Bonds are secured by incremental property taxes allocated to and received by the Agency. Interest on the Bonds is payable semiannually. The Bonds are subject to redemption at the Agency's option on or after September 1, 2018 at a redemption price equal to the principal amount.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

A. Tax Allocation Bonds (Continued)

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2011, included in the long-term liabilities are as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 3,120,000	\$ 3,256,142	\$ 6,376,142
2013	3,390,000	3,095,175	6,485,175
2014	4,180,000	2,917,402	7,097,402
2015	4,470,000	2,694,957	7,164,957
2016	4,795,000	2,455,534	7,250,534
2017-2021	23,981,535	12,193,838	36,175,373
2022-2026	19,316,687	5,532,557	24,849,244
2027	1,350,000	109,350	1,459,350
Totals	<u>\$ 64,603,222</u>	<u>\$ 32,254,955</u>	<u>\$ 96,858,177</u>

B. Revenue Bonds

On November 19, 2001, the Montebello Public Financing Authority (established pursuant to a joint exercise of powers agreement between the City of Montebello and the Community Redevelopment Agency of the City of Montebello) issued \$15,830,000 of Revenue Bonds, Series A to: (a) finance the acquisition, construction, and equipping of a hotel facility (Project) located adjacent to the Montebello Country Club, a municipal golf course owned and operated by the City and the Quiet Cannon Restaurant and Conference Facility; (b) fund a reserve fund; (c) fund capitalized interest on the bonds through April 1, 2003; (d) fund an operating reserve; and (e) pay certain costs of issuance of the bonds. Concurrently with the issuance of the bonds, the Authority and City entered into an installment purchase agreement in which the Authority sold the Project to the City in consideration for the installment purchase payments to be made by the City in amounts sufficient to pay the debt service payments on the bonds.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

B. Revenue Bonds (Continued)

Pursuant to the installment purchase agreement, the City pledged all revenues received related to the ownership and operation of the hotel facility to make the installment purchase payments to the Authority for payment of the debt service. In addition, the City and the Agency have entered into a separate agreement dated November 1, 2000 in connection with the development and operation of the hotel facility. Pursuant to this agreement, the Agency has agreed to pay, solely from tax revenues from the Montebello Hills Redevelopment Project Area, any shortfall on the City's lease payments required to pay the debt service on the bonds. The hotel facility began operations in December 2002.

In September 2004, the City issued \$17,060,000 in Variable Rate Lease Revenue Refunding Bonds to advance refund \$15,490,000 of outstanding Series 2001A Revenue Bonds as described above. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2001A Revenue Bonds. The reacquisition price exceeded the net carrying amount by \$604,199. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. As a result, the 2001A Revenue Bonds are considered to be defeased, and the liability for those bonds has been removed from the long-term liabilities.

Similar to the provision of the defeased Series 2001A Revenue Bonds, the 2004 Revenue Refunding Bonds, Series A are limited obligations of the Authority, payable solely from the lease payments to be received from the City pursuant to the Amended and Restated Lease Agreement, dated September 1, 2004. The City has pledged all revenues received related to the ownership and operation of the project to make the lease payments due to the Authority to make debt service payments on the bonds.

The bonds initially bear interest at the variable rate payable the first business day of the month until the fixed-rate conversion date. Following the fixed-rate conversion date, bond payment dates will be June 1 and December 1 of each year.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

B. Revenue Bonds (Continued)

The outstanding balance at June 30, 2011 was \$15,575,000.

The annual requirements to amortize revenue bonds outstanding as of June 30, 2011, included in the long-term liabilities, at 0.23% interest rate are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 365,000	\$ 35,823	\$ 400,823
2013	410,000	34,983	444,983
2014	430,000	34,040	464,040
2015	485,000	33,051	518,051
2016	500,000	31,936	531,936
2017-2021	2,755,000	141,657	2,896,657
2022-2026	3,250,000	107,755	3,357,755
2027-2031	3,825,000	67,850	3,892,850
2032-2035	<u>3,555,000</u>	<u>20,838</u>	<u>3,575,838</u>
Totals	<u>\$15,575,000</u>	<u>\$ 507,933</u>	<u>\$16,082,933</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

C. Certificates of Participation

2000 Certificates of Participation:

In October 2000, the Montebello Public Improvement Corporation issued \$22,930,000 Certificates of Participation to refund the 1993 Certificates of Participation, acquire certain communication equipment, make a deposit to the reserve fund, and pay expenses in connection with the issuance of the Certificates. The Certificates are payable from lease payments to be made by the City to the MPIC as rental for certain public facilities consisting of a city hall, a fire station, and police facilities pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the facilities from any source of available funds in an amount sufficient to pay the annual principal and interest due on the Certificates subject to abatement as described in the Certificate documents. Annual installments of \$685,000 to \$1,300,000 are due from November 1, 2001 through November 1, 2026. Interest rates range from 4.00% to 5.375%.

The Certificates maturing on or after November 1, 2011 are subject to prepayment prior to maturity on any business day on or after November 1, 2010, as a whole or in part, in a manner determined by the City, at a prepayment price equal to the principal amount thereof to be prepaid, plus a premium (expressed as a percentage of the principal amount of Certificates to be prepaid), together with accrued interest thereon to the date fixed for prepayment as follows:

<u>Prepayment Dates</u>	<u>Redemption Prices</u>
November 1, 2010 through October 31, 2011	102 %
November 1, 2011 through October 31, 2012	101
November 1, 2012 and thereafter	100

The outstanding balance at June 30, 2011 is \$14,515,000.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

C. Certificates of Participation (Continued)

2001 Certificates of Participation:

In December 2001, the MPIC issued \$8,570,000 2001 Variable Rate Demand Taxable Certificates of Participation to provide funds to refund in advance the remaining 1997 and 1995 Certificates of Participation. The Certificates are payable from the revenues pledged under a Trust agreement, consisting primarily of lease payments to be made by the City to the MPIC as rental of the golf course pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the golf course from any source of available funds, which includes motor vehicle license fees in an amount sufficient to pay the annual principal and interest due with respect to the Certificates subject to abatement as described in the Certificate documents. If funds are not available to the City to make the lease payments, the Trustee can lease the golf course to a third party in order to satisfy the obligation to pay the Certificate holders. \$6,570,000 of the \$8,570,000 2001 Certificates are allocated to refund the 1995 Certificates of Participation.

Annual installments of \$122,240 to \$435,480 are due from April 1, 2002 to April 1, 2025 with an adjustable interest rate. The variable rate Certificates can be converted to fixed rates as more fully described in the Certificate document. The interest rate during the year ended June 30, 2011 was 0.44%.

The Certificates maturing on or after the fixed-rate conversion are subject to prepayment prior to maturity on such interest payment dates, as a whole or in part, in a manner determined by the MPIC, at a prepayment price equal to the principal amount thereof to be prepaid, plus a premium (expressed as a percentage of the principal amount of Certificates to be prepaid), together with accrued interest thereon to the dates fixed for prepayment as follows:

<u>Prepayment Dates</u>	<u>Redemption Prices</u>
First 12-month period following the tenth anniversary of fixed-rate conversion	102 %
Second 12-month period following the tenth anniversary of fixed-rate conversion	101
Third 12-month period following the tenth anniversary of fixed-rate conversion and thereafter	100

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

C. Certificates of Participation (Continued):

2001 Certificates of Participation (Continued)

The outstanding balance as of June 30, 2011 is \$4,698,600.

The annual requirements to amortize the Certificates of Participation outstanding as of June 30, 2011 included in the long-term liabilities are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 862,120	\$ 763,965	\$ 1,626,085
2013	903,580	733,626	1,637,206
2014	945,040	701,186	1,646,226
2015	986,500	666,746	1,653,246
2016	1,032,960	629,960	1,662,920
2017-2021	5,987,260	2,499,527	8,486,787
2022-2026	7,196,140	1,146,416	8,342,556
2027	<u>1,300,000</u>	<u>34,938</u>	<u>1,334,938</u>
Totals	<u>\$ 19,213,600</u>	<u>\$ 7,176,364</u>	<u>\$ 26,389,964</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

D. Notes Payable

United States Department of Housing and Urban Development

(1) In November 2005, the City borrowed \$6,500,000 from the United States Department of Housing and Urban Development (HUD) to provide for funds to pay for street improvements. Interest and principal are due as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 267,000	\$ 277,507	\$ 544,507
2013	277,000	263,839	540,839
2014	289,000	249,575	538,575
2015	301,000	234,647	535,647
2016	316,000	218,975	534,975
2017-2021	1,835,000	822,136	2,657,136
2022-2026	<u>1,994,000</u>	<u>249,874</u>	<u>2,243,874</u>
Totals	<u>\$ 5,279,000</u>	<u>\$ 2,316,553</u>	<u>\$ 7,595,553</u>

(2) During the fiscal year ended June 30, 2011, the City was notified by the HUD during its review of the City's books and records that the City could not provide sufficient documentation with respect to \$2,189,106 in grant expenditure. HUD has ordered the City to repay the amount. In September 2011, \$1,300,000 of the outstanding balance was repaid by the City.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

D. Notes Payable (Continued)

Redevelopment Agency Note

The Redevelopment Agency entered into an agreement dated February 11, 2009 to purchase the property owned by Ostrom Chevrolet for \$12,000,000. The Agency paid \$5,000,000 in cash, \$2,734,834 was from proceeds of a note owed by Ostrom Chevrolet to the Agency, and \$4,265,166 was financed by a note payable to the seller. The note payable has an interest rate of 5%. For the first 10 years, interest only payments are due each calendar quarter. Following the 10th anniversary of the note date, the Agency is to make four quarterly payments in an amount sufficient to amortize and repay all accrued interest and principal by the date the last payment is due on the first day of the full calendar quarter following the 20th anniversary date of the note. The Agency made early principal payments totaling \$101,073 during the fiscal year ended June 30, 2011.

Annual debt service payments on this note are as follows:

Years Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2012	-	\$ 200,191	\$ 200,191
2013	-	200,191	200,191
2014	-	200,191	200,191
2015	-	200,191	200,191
2016	-	200,191	200,191
2017-2021	\$ 649,986	973,048	1,623,034
2022-2026	1,937,814	618,338	2,556,152
2027-2030	<u>1,416,020</u>	<u>117,671</u>	<u>1,533,691</u>
Totals	<u>\$ 4,003,820</u>	<u>\$ 2,710,012</u>	<u>\$ 6,713,832</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

D. Notes Payable (Continued)

California Housing Agency Note

The Agency had a \$700,000 California Housing Agency note dated and executed on August 21, 2000 and due on August 21, 2010, with interest computed at 3%. A portion of the note, in the amount of \$278,484, along with interest of \$158,910, was paid off in February 2010. The remaining principal balance of \$421,516 was paid on July 28, 2010.

E. Compensated Absences

The noncurrent portion of the accumulated vacation and sick leave liabilities, liquidated primarily by the General Fund, of \$2,746,190 has no repayment schedule at June 30, 2011.

F. Other Post-Employment Benefit Obligation

The noncurrent portion of these obligations of \$3,407,257 has no repayment schedule at June 30, 2011. Refer to Note 10 for more information on these obligations.

Business-type Activities:

A. 1999 Certificates of Participation

On March 30, 1999, the City of Montebello issued \$4,275,000 1999 Refunding Certificates of Participation due in annual installments of \$65,000 to \$285,000 from April 1, 2001 to April 1, 2029 with variable interest between 4.00% to 5.625%. The purpose of the Certificates is to provide funds to prepay certain obligations of the City relating to the golf course renovation project, to make a deposit to the reserve fund, and to pay the expenses incurred in connection with delivery of the Certificates. In addition, in accordance with a related lease agreement between the City and the MPIC, if the City fails to make payments on the Certificates, and motor vehicle license fees are not available, the trustee can lease the golf course property to a third party in order to satisfy the obligation to pay Certificate holders. The outstanding balance as of June 30, 2011 was \$3,350,000.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

B. 2001 Certificates of Participation

In December 2001, the MPIC issued \$8,570,000 2001 Variable Rate Demand Taxable Certificates of Participation to provide funds to refund in advance the remaining 1997 and 1995 Certificates of Participation. The Certificates are payable from the revenues pledged under a Trust agreement, consisting primarily of lease payments to be made by the City to the MPIC as rental of the golf course pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the golf course from any source of available funds, which includes motor vehicle license fees in an amount sufficient to pay the annual principal and interest due with respect to the Certificates subject to abatement as described in the Certificate documents. If funds are not available to the City to make the lease payments, the Trustee can lease the golf course to a third party in order to satisfy the obligation to pay the Certificate holders. \$2,000,000 of the \$8,570,000 2001 Certificates are allocated to refund the 1997 Certificates of Participation.

Annual installments of \$37,760 to \$134,520 are due from April 1, 2002 to April 1, 2025 with an adjustable interest rate. The variable-rate Certificates can be converted to fixed rates as more fully described in the Certificate documents. The interest rate during the year ended June 30, 2011 was 0.44%.

The Certificates maturing on or after the fixed-rate conversion are subject to prepayment prior to maturity on such interest payment dates, as a whole or in part, in a manner determined by the MPIC, at a prepayment price equal to the principal amount thereof to be prepaid, plus a premium (expressed as a percentage of the principal amount of Certificates to be prepaid), together with accrued interest thereon to the dates fixed for prepayment as follows:

<u>Prepayment Dates</u>	<u>Redemption Prices</u>
First 12-month period following the tenth anniversary of fixed-rate conversion	102 %
Second 12-month period following the tenth anniversary of fixed-rate conversion	101
Third 12-month period following the tenth anniversary of fixed-rate conversion and thereafter	100

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

B. 2001 Certificates of Participation (Continued)

The outstanding balance as of June 30, 2011 is \$1,451,400.

C. Debt Service Requirements

The annual requirements to amortize the Certificates of Participation outstanding as of June 30, 2011 included in the long-term liabilities are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 192,880	\$ 193,455	\$ 386,335
2013	201,420	186,787	388,207
2014	209,960	179,829	389,789
2015	218,500	172,580	391,080
2016	232,040	165,041	397,081
2017-2021	1,347,740	694,802	2,042,542
2022-2026	1,588,860	423,039	2,011,899
2027-2029	<u>810,000</u>	<u>92,813</u>	<u>902,813</u>
Totals	<u>\$4,801,400</u>	<u>\$ 2,108,346</u>	<u>\$ 6,909,746</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

D. Compensated Absences

The noncurrent portion of accumulated vacation and sick leave liability of \$188,389 has no repayment schedule at June 30, 2011.

9. DEFINED BENEFIT PENSION PLAN

Plan Description:

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California.

Benefit provisions and all other requirements are established by State statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. In the past, the City has made the contributions required of City employees on their behalf and for their account. At various dates during the year ended June 30, 2011, depending on the class of the employee, the City no longer made the required employee contributions. As the employer, the City is required to contribute at an actuarially determined rate. The rates for the years ended June 30, 2011, 2010, and 2009 were 14.82%, 13.34%, and 7.00% of annual covered payroll for nonsafety employees and 28.74%, 26.57%, and 9.00% of annual covered payroll, for safety employees, respectively. The contribution requirements of Plan members and the City are established by, and may be amended by, CalPERS.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Plan Description (Continued):

Annual Pension Cost:

For fiscal year 2010-2011, the City's annual pension cost was \$5,743,029 and the City actually contributed \$5,743,029. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry-age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% that vary by duration of service, and (c) 2.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%.

The actuarial value of CalPERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). CalPERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period.

Three-Year Trend Information for CalPERS:

Schedule of Employer Contributions
Miscellaneous and Safety Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$8,609,524	100 %	-
6/30/10	5,626,519	100	-
6/30/11	5,743,029	100	-

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Funded Status and Funding Progress for Miscellaneous Employees:

As of June 30, 2010, the most recent actuarial valuation date, the Plan was 83.9% funded. The actuarial accrued liability for benefits was \$131,621,256 and the actuarial value of assets was \$110,422,124, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,199,132. The covered payroll (annual payroll of active employees covered by the Plan) was \$17,433,605 and the ratio of the UAAL to the covered payroll was 121.6%.

The schedule of funding progress presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress for Safety Employees:

As of June 30, 2010, the most recent actuarial valuation date, the Plan was 80.2% funded. The actuarial accrued liability for benefits was \$173,598,535 and the actuarial value of assets was \$139,262,252 resulting in an unfunded actuarial accrued liability of \$34,336,283. The covered payroll (annual payroll of active employees covered by the Plan) was \$11,527,270 and the ratio of the UAAL to the covered payroll was 297.9%.

The schedule of funding progress presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

10. POST-EMPLOYMENT BENEFITS:

A. Plan Description

The City provides post-employment healthcare benefits to eligible employees at retirement through a single-employer defined benefit other post-employment benefits (OPEB) plan administered by the City. Benefit provisions are established through agreements and memorandums of agreement between the City, its management employees, and unions representing the City's employees.

Eligibility for the medical benefit requires retirement simultaneously from the City and CalPERS on or after age 50 with at least 15 consecutive years of service with the City. The City's contribution is \$25 per month for each year of service up to 25 years or a maximum of \$625. The City's contribution is payable for life for retirees who are members of Montebello Police Officers Association (MPOA), Montebello Police Management Association (MPMA), and Montebello Fire Fighters Association (MFFA) and to Medicare for all other employees. The City provides the CalPERS minimum required employer contribution (\$105 per month in 2010 and indexed to medical CPI increases) for eligible retirees and surviving spouses continuing coverage in the CalPERS Health Program.

B. Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by the City Council and/or the employee associations. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended June 30, 2011, the City paid \$191,570 in healthcare costs for its retirees and their covered dependents.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the Plan over a period not to exceed thirty years.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

10. POST-EMPLOYMENT BENEFITS (CONTINUED):

C. Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

	<u>Amount</u>
Annual required contribution	\$1,494,300
Interest on net OPEB obligation	<u>166,368</u>
Annual OPEB cost (expense)	1,660,668
Actual contributions made	<u>302,537</u>
Increase in net OPEB obligation	1,358,131
Net OPEB obligation - beginning of year	<u>2,215,494</u>
Net OPEB obligation - end of year	<u><u>\$3,573,625</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2011, as well as for the preceding years, was as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 1,270,784	12.5 %	\$1,111,858
6/30/10	1,295,206	14.8	2,215,494
6/30/11	1,660,668	18.2	3,573,625

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

10. POST-EMPLOYMENT BENEFITS (CONTINUED):

D. Funded Status and Funding Progress

The UAAL as of July 1, 2011 amounted to \$15,055,121.

	<u>Amount</u>
Actuarial accrued liability (AAL)	\$ 15,055,121
Actuarial value of Plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 15,055,121</u>
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll	\$ 23,000,000
UAAL as a percentage of covered payroll	65.5%

E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation, and interest rates. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2011 actuarial valuation (the most current available), the entry-age normal cost method was used. The actuarial assumptions included an investment interest rate of 5.00% per year, a projected salary increase of 3.25% per annum, and a general inflation rate of 3.00% per year. The UAAL is being amortized as a level percentage of projected payroll over 30 years commencing in fiscal year 2009.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

11. SELF INSURANCE:

The City provides self-insurance for general liability and workers' compensation claims. The City is partially self-insured for general liability programs. The City pays up to \$1 million per occurrence and has excess insurance up to \$10 million per occurrence. For workers' compensation, the City provides self-insurance up to a \$1,000,000 retention level and has acquired excess insurance coverage of \$5 million for each claim. The City also purchases commercial insurance for other risks of loss, including property loss, earthquake, and vehicle physical damage. There have been no significant changes in insurance coverage as compared to last year, and the City has not experienced settlements in excess of insurance coverage during the past three fiscal years. At June 30, 2011, the present value of the estimated liability discounted at a 2.50% rate for claims payable is \$11,011,339. The City liability for claims payable is based on an actuarial study. The liability includes an estimate for incurred, but not reported, losses and is based on past experience, modified for current trends and information.

	2011	2010
Insurance Claims Payable:		
Claims payable at July 1	\$10,329,125	\$ 9,851,611
Claims incurred during the fiscal year	4,490,693	4,672,101
Payments on claims during the fiscal year	(3,808,479)	(4,194,587)
Claims Payable at June 30	\$11,011,339	\$10,329,125

There are no liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet.

12. PREPAYMENT OF LEASE AGREEMENT:

On October 27, 2000, the Montebello Public Improvement Corporation (MPIC) issued \$22,900,000 Certificates of Participation (Certificates). The Certificates are payable from lease payments to be made from the City of Montebello to the MPIC as rental for certain public facilities consisting of a city hall, a fire station, and police facilities pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the facilities from any source of available funds in an amount sufficient to pay the annual principal and interest due on the Certificates subject to abatement as described in the Certificate documents.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

12. PREPAYMENT OF LEASE AGREEMENT (CONTINUED):

On September 1, 2000, the Agency and the City entered into a Reimbursement Agreement relating to the South Montebello Industrial and Montebello Hill Redevelopment Projects. Under the Reimbursement Agreements, the City receives tax increment from the Agency in consideration for the City's payment of all or part of the value of the land and for the cost of installation and construction of any building, facility, structure, or other improvements, which are publicly owned within the applicable Project Area upon a determination by the Agency and the City Council that such buildings, facilities, structures, or other improvements are of benefit to such applicable Project Area. The City is using tax increment received pursuant to the Reimbursement Agreements in part to make lease payments under the lease agreement with the MPIC.

The Agency agreed to prepay a portion of its obligations under the Reimbursement Agreements in the amount of \$17,462,276, which is equal to the amortization of the lease payments to be made by the City in connection with the Certificates for the period November 1, 2014 through November 1, 2026. In consideration for this transaction, the Agency received a discount on the portion of the obligations prepaid under the Reimbursement Agreements on the date the Prepayment Agreement was entered into. Total amount of prepayment was \$13,487,438. This transaction is included in other financing sources of the General Fund and in other financing uses of the Redevelopment Agency Capital Projects Fund. The effects of this transactions have been eliminated in the government-wide financial statements.

13. REQUIRED INDIVIDUAL FUND DISCLOSURES:

A. Deficit Fund Equity

The Montebello Hilton Enterprise Fund (Hotel) has a net asset deficit of \$3,647,003. The operating revenues are pledged for payment of debt service on the 2004 Revenue Bonds (see Note 8B). Under an agreement between the City and the management company of the Hotel, an annual management fee is to be paid unless cash flow is not sufficient to pay the debt service and operating expenses. If the cash flow is not sufficient, the management fee accrues, and is to be paid, at the end of the agreement. At June 30, 2011, \$5,185,607 of the accounts payable and accrued liabilities is owed to the management company for the accumulated management fees and related items. The City will be required to pay this amount, which will remove the deficit. In addition, the City has paid approximately \$1.6 million of debt service related to the letter of credit fees and the remarketing agent fees on the 2004 Revenue Bonds.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

13. REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED):

A. Deficit Fund Equity (Continued)

The Self-Insurance Internal Service Fund has a net asset deficit of \$2,359,866. The deficit will be eliminated by future revenues or transfers from other funds.

B. Excess of Expenditures Over Appropriations

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
GENERAL FUND DEPARTMENTS:			
GENERAL GOVERNMENT:			
City Council	\$ 124,521	\$ 130,691	\$ (6,170)
City Attorney	648,600	662,529	(13,929)
City Administrator	614,549	768,104	(153,555)
Employee relations	484,049	627,270	(143,221)
Finance	1,516,190	1,577,925	(61,735)
PUBLIC SAFETY:			
Police administration	367,243	508,787	(141,544)
Crime prevention	-	50,907	(50,907)
Fire administration	1,045,279	1,082,129	(36,850)
PUBLIC WORKS:			
Street	4,866,035	5,825,853	(959,818)
PARKS AND RECREATION:			
Recreation services	2,385,929	2,488,898	(102,969)
Parks maintenance	1,030,411	1,036,058	(5,647)
Trees	63,682	111,645	(47,963)
HOUSING AND COMMUNITY DEVELOPMENT:			
Planning	469,143	583,810	(114,667)
Engineering	775,163	859,367	(84,204)
OTHER INDIVIDUAL FUNDS:			
REDEVELOPMENT AGENCY DEBT			
SERVICE FUND	6,800,740	11,359,687	(4,558,947)
PUBLIC FINANCING AUTHORITY CAPITAL			
PROJECTS FUND	-	265,970	(265,970)
REDEVELOPMENT AGENCY CAPITAL			
PROJECTS FUND	5,522,327	6,786,554	(1,264,227)

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

14. REFUNDED AND REFUNDING DEBT:

A. Refunding 2000 Certificates of Participation and Refunded 1993 Certificates of Participation

On November 1, 2000, the City issued \$22.9 million in Certificates of Participation with interest rates from 4.0% to 5.4% to advance refund \$17.5 million of outstanding 1993 Certificates of Participation and provide additional funds for capital assets. Net proceeds of \$16.8 million (after payment of: (1) \$1.3 million in underwriting fees, insurance, and other issuance costs; (2) \$1.8 million to establish a reserve fund; and (3) \$3 million deposited in the acquisition and construction fund will be used to acquire public safety communication equipment) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments in the 1993 Certificates of Participation. The 1993 Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2011, \$13,655,000 remained outstanding on the refunded 1993 issue.

B. Refunding 1993 Certificates of Participation and Refunded 1990 and 1992 Certificates of Participation

On November 1, 1993, the City issued \$22.3 million in Certificates of Participation with interest rates from 4.00% to 6.08% to advance refund \$7,850,000 of outstanding 1990 Certificates of Participation and \$12,345,000 of outstanding 1992 Certificates of Participation with interest rates from 6.40% to 7.00% and 4.90% to 7.10%, respectively. The net proceeds of \$16.2 million (after payment of \$0.4 million in underwriting fees, insurance, and other issuance costs, plus an additional \$0.9 million in 1990 and 1992 issues sinking fund monies, \$1.8 million to establish a reserve fund, and \$3 million deposited in the acquisition and construction fund) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 and 1992 Certificates of Participation. As a result, the 1990 and 1992 Certificates of Participation are considered to be defeased and the liability for those issues have been removed from the long-term liabilities. As of June 30, 2011, \$1,120,000 and \$8,730,000 remained outstanding on the 1990 and 1992 issues, respectively.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

14. REFUNDED AND REFUNDING DEBT (CONTINUED):

C. 1999 Refunding Certificates of Participation

On December 1, 1998, the City issued \$4.3 million in Certificates of Participation with interest rates from 4.00% to 5.625% to refund \$3.6 million of outstanding 1997 Certificates of Participation with a variable interest rate. The net proceeds of \$4.0 million (after payment of \$0.3 million in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Certificates of Participation. As of June 30, 2011, \$2,420,000 remained outstanding on the 1997 Certificates of Participation.

D. Refunding 2004 Revenue Bonds

In September 2004, the City issued \$17,060,000 in Variable Rate Lease Revenue Refunding Bonds to advance refund \$15,490,000 of outstanding Series 2001A Revenue Bonds. The net proceeds of \$16.1 million (after payment of \$0.8 million in underwriting fees, insurance, and other issuance costs; \$1 million deposited in reserve funds; and \$0.5 million and \$0.4 million deposited in the hotel construction fund and Quiet Cannon construction fund, respectively, plus \$1.6 million in the prior bond issue sinking fund) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2001A Revenue Bonds. As a result, the 2001A Revenue Bonds and the liability has been removed from the long-term liabilities of the governmental activities. As of June 30, 2011, the refunded 2001A Bonds were redeemed.

E. 2007 Series A Housing Tax Allocation Bonds

In April 2007, the Agency issued \$8.9 million in tax allocation bonds with interest rates from 3.375% to 4.00% to refund \$8.8 million of outstanding 1997 Series A Housing Tax Allocation Bonds with interest rates from 4.50% to 5.45%. The net proceeds of \$8.6 million and \$0.9 million of reserve funds on the 1997 Series A Housing Tax Allocation Bonds (after payment of \$0.3 million in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide amounts sufficient to pay on September 1, 2007, and to redeem on September 1, 2007, the 1997 Housing Tax Allocation Bonds maturing after such date by payment of the principal of such bonds, together with a redemption premium of 2% thereon. As a result, all of the 1997 Series A Housing Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. As of June 30, 2011, \$6,175,000 remained outstanding on the 1997 Series A Housing Tax Allocation Bonds.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

15. ENCUMBRANCES:

At June 30, 2011, there were encumbrances of \$5,815,054 in the major governmental funds and \$4,745,715 in the nonmajor governmental funds.

At June 30, 2011, there were encumbrances of \$34,400,538 in the major enterprise funds and \$1,153,667 in the nonmajor enterprise funds.

16. CONTINGENCIES:

A. The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

B. SERAF Contingency

On July 28, 2009, the Governor of the State of California signed into law Assembly Bill No. 26 (AB 26) modifying the Community Redevelopment Law (Health and Safety Code Sections 3300, *et seq.*). The general effect of the AB 26 amendment is to shift approximately \$2,050,000,000 away from redevelopment agencies to K-12 school districts and county offices of education located entirely or partially within the redevelopment project areas. To accomplish this shift, AB 26 establishes a "Supplemental Educational Revenue Augmentation Fund" (SERAF) in each county and requires each redevelopment agency to pay into its county's SERAF during both fiscal years 2009-10 and 2010-11. The largest redevelopment agency payments into SERAF occurred during fiscal year 2009-10 and resulted in a shift of approximately \$1,700,000,000 from redevelopment agencies to K-12 school districts and county offices of education. The shift of money in fiscal year 2010-11 was approximately \$350,000,000.

The Agency's share of SERAF for the fiscal years 2009-10 and 2010-11 is \$5,533,151 and \$1,138,067, respectively. The California Redevelopment Association (CRA) filed a lawsuit against the State of California challenging the constitutionality of AB 26. In May 2010, the Superior Court for the State of California upheld the 2009 SERAF legislation. The CRA has appealed the Superior Court's decision.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

17. RESTATEMENT OF FUND BALANCE AND NET ASSETS:

The beginning fund balance in the proprietary funds financial statements for the Transit Fund was restated as follows:

	<u>Amount</u>
Fund balance as previously reported, July 1, 2010	\$47,705,401
To write-off receivables that were deemed to be uncollectible	(1,095,610)
To recognize earned revenue reported as unearned revenue	<u>417,716</u>
Fund balance as restated, July 1, 2010	<u>\$47,027,507</u>

The beginning fund balance in the Redevelopment Agency Debt Service Fund financial statements were restated as follows:

	<u>Amount</u>
Fund balance as previously reported, July 1, 2010	\$13,948,987
To record liability for pass-through payments	<u>(575,047)</u>
Fund balance as restated, July 1, 2010	<u>\$13,373,940</u>

The beginning fund balance in the Prop C Special Revenue Fund financial statements was restated as follows:

	<u>Amount</u>
Fund balance as previously reported, July 1, 2010	\$ 1,842,222
To recognize additional Prop C income for the year ended June 30, 2010	<u>59,748</u>
Fund balance as restated, July 1, 2010	<u>\$ 1,901,970</u>

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

17. RESTATEMENT OF FUND BALANCE AND NET ASSETS (CONTINUED):

The beginning net assets in the governmental activities of the government-wide financial statements were restated as follows:

	<u>Amount</u>
Net assets as previously reported, July 1, 2010	\$29,529,683
To record additional Prop C income for the year ended June 30, 2010	59,748
To record liability for pass-through payments	<u>(575,047)</u>
Net assets as restated, July 1, 2010	<u>\$29,014,384</u>

The beginning net assets of the business-type activities of the government-wide financial statements were restated as follows:

	<u>Amount</u>
Net assets as previously reported, July 1, 2010	47,262,554
To write-off receivables that were deemed to be uncollectible	(1,095,610)
To recognize earned revenue reported as unearned revenue	<u>417,716</u>
Net assets as restated, July 1, 2010	<u>\$46,584,660</u>

18. SUBSEQUENT EVENTS

On July 18, 2011, the California Redevelopment Association (CRA) and the League of California Cities (League) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills - ABX1 26 and ABX1 27 - that were passed as part of the 2011-2012 State Budget. ABX1 26 dissolves redevelopment agencies unless the host city or county adopts an ordinance pursuant to ABX1 27 committing itself to making defined payments for the benefit of the State, school districts, and certain special districts.

CITY OF MONTEBELLO

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

18. SUBSEQUENT EVENTS (CONTINUED):

On December 29, 2011, the California Supreme Court issued a ruling finding ABX1 26 to be constitutional and upheld the State's ability to dissolve redevelopment agencies. Additionally, the Court found ABX1 27 to be invalid. The Agency dissolved on January 31, 2012 and the City, as the successor agency, under board oversight, will be responsible for the winding down of the Agency's affairs. City Council elected to have the City serve as the successor agency on January 11, 2012.

In order to alleviate a possible negative cash flow during the City's revenue dry period, the City secured a \$2.5 million Tax Revenue Anticipation Note with an interest rate of 4.85%. Principal payments on the note are due in January and June 2012.

19. UNCERTAINTIES

Economic conditions in the past fiscal year have caused significant decreases in revenues collected by the City. These decreases affected the ability of the City to pay for expenditures for public services. In addition to the decline in revenues, the City is faced with higher costs for retirement benefits.

The City is working on a recovery plan that includes cost reduction and additional revenue options to realign future expenditures with lower revenue streams. The projection of the financial data for future periods must recognize the factors discussed above and consider the effect of these factors on the City's operations.

There is uncertainty regarding the winding down of the Agency's affairs, including the distribution of the Agency's assets, as regulations and procedures are being refined by the L.A. County Auditor-Controller, California Department of Finance, and State Controller.

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

CITY OF MONTEBELLO

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2011

CalPERS MISCELLANEOUS EMPLOYEES PLAN

(\$ amount in Thousands)

Note 9

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a)]/(c)
6/30/2008	\$ 99,478	\$ 112,618	\$ 13,140	88.3 %	\$ 20,500	64.1 %
6/30/2009	104,961	125,434	20,473	83.7	18,603	110.1
6/30/2010	110,422	131,621	21,199	83.9	17,434	121.6

CalPERS SAFETY EMPLOYEES PLAN

(\$ amount in Thousands)

Note 9

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a)]/(c)
6/30/2008	\$ 128,706	\$ 152,656	\$ 23,950	84.3 %	\$ 12,786	187.3 %
6/30/2009	134,012	167,396	33,384	80.1	12,513	266.8
6/30/2010	139,262	173,599	34,337	80.2	11,527	297.9

OTHER POST-EMPLOYMENT BENEFITS PLAN

(\$ amount in Thousands)

Note 10

Actuarial Valuation Date	Actuarial Asset Value (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a)]/(c)
6/30/2008	-	\$ 12,026	\$ 12,026	- %	\$ 57,739	20.8 %
7/1/2011	-	15,055	15,055	-	23,000	65.5

See independent auditors' report and notes to financial statements.

CITY OF MONTEBELLO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Sales taxes	\$ 9,500,000	\$ 9,500,000	\$ 10,413,127	\$ 913,127
Property taxes	3,415,000	3,415,000	3,213,997	(201,003)
Other taxes	360,000	360,000	339,096	(20,904)
Franchise taxes	1,400,000	1,400,000	1,311,388	(88,612)
Licenses and permits	4,438,200	4,438,200	4,971,483	533,283
Fines and forfeitures	1,366,500	1,366,500	1,781,681	415,181
Investment income	100,000	100,000	9,355	(90,645)
Revenue from other agencies	5,600,000	5,600,000	5,291,513	(308,487)
Charges for services	5,444,797	5,444,797	5,502,963	58,166
Interfund revenue	3,500,000	3,500,000	3,229,911	(270,089)
Other revenue	836,200	836,200	612,244	(223,956)
TOTAL REVENUES	<u>35,960,697</u>	<u>35,960,697</u>	<u>36,676,758</u>	<u>716,061</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
City Council	124,521	124,521	130,691	(6,170)
City Clerk	39,464	39,464	21,487	17,977
City Treasurer	49,520	49,520	21,057	28,463
City Attorney	648,600	648,600	662,529	(13,929)
City Administrator	614,549	614,549	768,104	(153,555)
Employee relations	484,049	484,049	627,270	(143,221)
Community promotions	96,289	96,289	4,042	92,247
Finance	1,516,190	1,516,190	1,577,925	(61,735)
General services	1,052,112	1,052,112	1,019,350	32,762
Building and maintenance	385,817	385,817	377,216	8,601
Governmental building maintenance	383,030	383,030	350,513	32,517
TOTAL GENERAL GOVERNMENT	<u>5,394,141</u>	<u>5,394,141</u>	<u>5,560,184</u>	<u>(166,043)</u>
PUBLIC SAFETY:				
Police administration	367,243	367,243	508,787	(141,544)
Field services - police	16,815,256	16,815,256	15,847,751	967,505
Support services - police	717,026	717,026	681,719	35,307
Crime prevention	-	-	50,907	(50,907)
Grant	691,535	691,535	498,329	193,206
Fire administration	1,045,279	1,045,279	1,082,129	(36,850)
Fire suppression	10,469,711	10,469,711	9,271,492	1,198,219
Fire prevention	183,564	183,564	162,593	20,971
Fire communications	228,862	228,862	212,101	16,761
TOTAL PUBLIC SAFETY	<u>30,518,476</u>	<u>30,518,476</u>	<u>28,315,808</u>	<u>2,202,668</u>

See independent auditors' report and note to required supplementary information.

CITY OF MONTEBELLO
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 (CONTINUED)

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
EXPENDITURES (CONTINUED):				
PUBLIC WORKS:				
Street	\$ 4,810,935	\$ 4,810,935	\$ 5,825,853	\$ (1,014,918)
PARKS AND RECREATION:				
Parks and recreation administration	432,691	432,691	395,407	37,284
Recreation services	2,385,929	2,385,929	2,488,898	(102,969)
Parks maintenance	1,030,411	1,030,411	1,036,058	(5,647)
Trees	<u>63,682</u>	<u>63,682</u>	<u>111,645</u>	<u>(47,963)</u>
TOTAL PARKS AND RECREATION	<u>3,912,713</u>	<u>3,912,713</u>	<u>4,032,008</u>	<u>(119,295)</u>
HOUSING AND COMMUNITY DEVELOPMENT:				
Planning	469,143	469,143	583,810	(114,667)
Engineering	<u>775,163</u>	<u>775,163</u>	<u>859,367</u>	<u>(84,204)</u>
TOTAL HOUSING AND COMMUNITY DEVELOPMENT	<u>1,244,306</u>	<u>1,244,306</u>	<u>1,443,177</u>	<u>(198,871)</u>
TOTAL EXPENDITURES	<u>45,880,571</u>	<u>45,880,571</u>	<u>45,177,030</u>	<u>703,541</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,919,874)	(9,919,874)	(8,500,272)	1,419,602
OTHER FINANCING SOURCES (USES):				
Transfers in	8,550,000	8,550,000	9,674,909	1,124,909
Transfer out	-	-	(3,004,351)	(3,004,351)
Prepayment on lease agreement	<u>-</u>	<u>-</u>	<u>13,487,438</u>	<u>13,487,438</u>
NET CHANGE IN FUND BALANCE	(1,369,874)	(1,369,874)	11,657,724	13,027,598
FUND BALANCE - BEGINNING OF YEAR	<u>(6,682,148)</u>	<u>(6,682,148)</u>	<u>(6,682,148)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (8,052,022)</u>	<u>\$ (8,052,022)</u>	<u>\$ 4,975,576</u>	<u>\$ 13,027,598</u>

See independent auditors' report and note to required supplementary information.

CITY OF MONTEBELLO

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

BUDGETARY DATA:

The City adheres to the following general procedures in establishing the budgetary data reflected in the combined financial statements:

- 1) The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and estimated revenues for all governmental fund types.
- 2) The City Administrator is authorized to transfer certain appropriations between activities within any department in accordance with the budget resolution. Any revisions that alter the total expenditures of any department must be approved by the City Council.
- 3) The budget is formally integrated into the accounting system.
- 4) Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The modified accrual basis of accounting is employed in the preparation of the budget.
- 5) At fiscal year-end, operating budget appropriations lapse. Capital projects are budgeted on an annual basis. Encumbrances and expenditures, which would cause an annual budget appropriations overrun, require an approved budget transfer. Incomplete capital improvement budget appropriations are rebudgeted in the following fiscal year. Projects that are not started during the budget year are reevaluated in the following year.

SUPPLEMENTARY SCHEDULES

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term liabilities, interest, and related fiscal agent costs.

Capital Improvements Capital Projects Fund is used to account for financial resources segregated for the acquisition of major capital facilities other than those financed by proprietary funds.

Public Financing Authority Capital Projects Fund is used to account for financial resources segregated for the acquisition of capital facilities financed by the Public Financing Authority debt.

CITY OF MONTEBELLO

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds	Debt Service Funds	Public Financing Authority Capital Projects Fund	Total Other Governmental Funds
ASSETS				
Cash and investments	\$ 9,323,532	\$ 30,679	\$ 754	\$ 9,354,965
Cash and investments with fiscal agent	-	6,344,891	1,496,881	7,841,772
Receivables:				
Accounts	732,019	-	-	732,019
Property taxes	193,633	-	-	193,633
Notes	1,045,734	-	-	1,045,734
Due from other funds	-	2,136,495	-	2,136,495
TOTAL ASSETS	<u>\$ 11,294,918</u>	<u>\$ 8,512,065</u>	<u>\$ 1,497,635</u>	<u>\$ 21,304,618</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 196	-	-	\$ 196
Due to other funds	-	\$ 1,790,046	\$ 847,000	2,637,046
Deferred revenue	2,755,073	-	-	2,755,073
TOTAL LIABILITIES	<u>2,755,269</u>	<u>1,790,046</u>	<u>847,000</u>	<u>5,392,315</u>
FUND BALANCES:				
Restricted for:				
Debt service	-	6,722,019	-	6,722,019
Retirement benefits	202,318	-	-	202,318
Capital improvements	1,319,749	-	650,635	1,970,384
Special revenue funds	7,017,582	-	-	7,017,582
TOTAL FUND BALANCES	<u>8,539,649</u>	<u>6,722,019</u>	<u>650,635</u>	<u>15,912,303</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,294,918</u>	<u>\$ 8,512,065</u>	<u>\$ 1,497,635</u>	<u>\$ 21,304,618</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	Special Revenue Funds	Debt Service Funds	Public Financing Authority Capital Projects Fund	Total Other Governmental Funds
REVENUES:				
Property taxes	\$ 6,559,146	-	-	\$ 6,559,146
Investment income	17,025	-	\$ 2	17,027
Revenue from other agencies	<u>7,601,889</u>	-	-	<u>7,601,889</u>
 TOTAL REVENUES	 <u>14,178,060</u>	 <u>-</u>	 <u>2</u>	 <u>14,178,062</u>
EXPENDITURES:				
Debt service:				
Principal payments	-	\$ 1,574,480	-	1,574,480
Interest and fees	-	878,169	265,970	1,144,139
Other	-	<u>8,625</u>	-	<u>8,625</u>
 TOTAL EXPENDITURES	 <u>-</u>	 <u>2,461,274</u>	 <u>265,970</u>	 <u>2,727,244</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>14,178,060</u>	 <u>(2,461,274)</u>	 <u>(265,968)</u>	 <u>11,450,818</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	421,252	2,839,234	275,714	3,536,200
Transfers out	<u>(10,997,596)</u>	<u>-</u>	<u>-</u>	<u>(10,997,596)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(10,576,344)</u>	 <u>2,839,234</u>	 <u>275,714</u>	 <u>(7,461,396)</u>
 NET CHANGE IN FUND BALANCES	 3,601,716	 377,960	 9,746	 3,989,422
 FUND BALANCES - BEGINNING OF YEAR	 <u>4,937,933</u>	 <u>6,344,059</u>	 <u>640,889</u>	 <u>11,922,881</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 8,539,649</u>	 <u>\$ 6,722,019</u>	 <u>\$ 650,635</u>	 <u>\$ 15,912,303</u>

See independent auditors' report.

OTHER SPECIAL REVENUE FUNDS

Special Gas Tax Fund - To account for the City's share of state and county gas tax allocations. The tax allocations are expended on street maintenance and street construction.

Park Development Fund - To account for new construction license fees received. These fees are used for the maintenance and improvement of the City's parks.

Retirement Fund - To account for the receipt of property taxes allocated for retirement expenditures. These funds are used to pay the City's cost of retirement for general governmental employees.

Prop A Fund - To account for the receipt of the half-cent sales tax allocated by Los Angeles County Metropolitan Transportation Authority (LACMTA). These funds are to be used for public transit related expenditures.

Drug Enforcement Fund - To account for the revenues resulting from the seizure of assets in conjunction with criminal cases (primarily drug related). These funds are used for the enhancement of law enforcement programs.

Prop C Fund - To account for the receipt of the half-cent sales tax allocated by LACMTA. These funds are to be used to reduce traffic congestion, improve air quality, improve conditions of streets/freeways utilized by public transit, and reduce foreign fuel dependence.

Measure R Fund - This fund is used to account for revenues and expenditures related to a half-cent sales tax under Measure R approved by Los Angeles County voters in November 2008. A portion of Measure R funds is allocated to cities, and these funds must be used for streets and roads, traffic control measures, bikeways and pedestrian improvements, public transit services and capital improvements, transportation marketing, and congestion management program.

Metro Station Fund - Funds for this rail station are generated from Prop C Local Return, Prop C Discretionary, and Transportation Capital Improvement grants. The station will serve as a component of the regional Metrolink commuter rail network. Shared by the Cities of Montebello and Commerce, the station will be located at the Chevron Marketing Terminal at 600 South Vail Avenue, Montebello, California.

Air Quality Fund - To account for monies received through the South Coast Air Quality Management District to be used for the purpose of reducing air pollution.

Supplemental Law Enforcement Fund - To account for certain grant funds received. These funds are used for the enhancement of law enforcement programs.

Grants Fund - To account for Housing and Community Development Funds for neighborhood and commercial improvement purposes.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF MONTEBELLO

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

June 30, 2011

	<u>Special Gas Tax</u>	<u>Park Development</u>	<u>Retirement</u>	<u>Prop A</u>
ASSETS				
Cash and investments	\$ 430,903	\$ 145,634	\$ 8,685	\$ 2,037,367
Receivables:				
Accounts	38,840	-	-	-
Property taxes	-	-	193,633	-
Notes	-	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 469,743</u>	 <u>\$ 145,634</u>	 <u>\$ 202,318</u>	 <u>\$ 2,037,367</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 196	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>196</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
FUND BALANCES (DEFICIT):				
Restricted for:				
Retirement benefits	-	-	\$ 202,318	-
Capital improvements	469,547	-	-	-
Special revenues	<u>-</u>	<u>\$ 145,634</u>	<u>-</u>	<u>\$ 2,037,367</u>
 TOTAL FUND BALANCES (DEFICIT)	 <u>469,547</u>	 <u>145,634</u>	 <u>202,318</u>	 <u>2,037,367</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 469,743</u>	 <u>\$ 145,634</u>	 <u>\$ 202,318</u>	 <u>\$ 2,037,367</u>

See independent auditors' report.

<u>Drug Enforcement</u>	<u>Prop C</u>	<u>Measure R</u>	<u>Metro Station</u>	<u>Air Quality</u>	<u>Supplemental Law Enforcement</u>	<u>Grants</u>	<u>Total Other Special Revenue Funds</u>
\$ 1,199,059	\$ 2,411,981	\$ 921,892	\$ 179,974	\$ 228,594	\$ 90,293	\$ 1,669,150	\$ 9,323,532
-	-	54,504	-	15,552	12,706	610,417	732,019
-	-	-	-	-	-	-	193,633
-	-	-	-	-	-	1,045,734	1,045,734
-	-	-	-	-	-	-	-
<u>\$ 1,199,059</u>	<u>\$ 2,411,981</u>	<u>\$ 976,396</u>	<u>\$ 179,974</u>	<u>\$ 244,146</u>	<u>\$ 102,999</u>	<u>\$ 3,325,301</u>	<u>\$ 11,294,918</u>
-	-	-	-	-	-	-	\$ 196
-	-	-	-	-	-	-	-
-	-	-	-	-	-	\$ 2,755,073	2,755,073
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,755,073	2,755,269
-	-	-	-	-	-	-	202,318
\$ 100,000	-	-	\$ 179,974	-	-	570,228	1,319,749
<u>1,099,059</u>	<u>\$ 2,411,981</u>	<u>\$ 976,396</u>	<u>-</u>	<u>\$ 244,146</u>	<u>\$ 102,999</u>	<u>-</u>	<u>7,017,582</u>
<u>1,199,059</u>	<u>2,411,981</u>	<u>976,396</u>	<u>179,974</u>	<u>244,146</u>	<u>102,999</u>	<u>570,228</u>	<u>8,539,649</u>
<u>\$ 1,199,059</u>	<u>\$ 2,411,981</u>	<u>\$ 976,396</u>	<u>\$ 179,974</u>	<u>\$ 244,146</u>	<u>\$ 102,999</u>	<u>\$ 3,325,301</u>	<u>\$ 11,294,918</u>

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2011

	Special Gas Tax	Park Development	Retirement	Prop A
REVENUES:				
Property taxes	-	-	\$ 6,559,146	-
Investment income	-	\$ 466	-	\$ 5,893
Revenue from other agencies	<u>\$ 1,464,831</u>	<u>5,446</u>	<u>-</u>	<u>888,129</u>
 TOTAL REVENUES	 <u>1,464,831</u>	 <u>5,912</u>	 <u>6,559,146</u>	 <u>894,022</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	<u>(1,821,710)</u>	<u>-</u>	<u>(6,380,000)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(1,821,710)</u>	 <u>-</u>	 <u>(6,380,000)</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 (356,879)	 5,912	 179,146	 894,022
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	 <u>826,426</u>	 <u>139,722</u>	 <u>23,172</u>	 <u>1,143,345</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 469,547</u>	<u>\$ 145,634</u>	<u>\$ 202,318</u>	<u>\$ 2,037,367</u>

See independent auditors' report.

<u>Drug Enforcement</u>	<u>Prop C</u>	<u>Measure R</u>	<u>Metro Station</u>	<u>Air Quality</u>	<u>Supplemental Law Enforcement</u>	<u>Grants</u>	<u>Total Other Special Revenue Funds</u>
-	-	-	-	-	-	-	\$ 6,559,146
\$ 2,627	\$ 6,405	-	\$ 473	\$ 698	\$ 463	-	17,025
<u>936,689</u>	<u>738,047</u>	<u>\$ 604,054</u>	<u>-</u>	<u>71,997</u>	<u>100,000</u>	<u>\$ 2,792,696</u>	<u>7,601,889</u>
<u>939,316</u>	<u>744,452</u>	<u>604,054</u>	<u>473</u>	<u>72,695</u>	<u>100,463</u>	<u>2,792,696</u>	<u>14,178,060</u>
-	-	421,252	-	-	-	-	421,252
<u>(115,257)</u>	<u>(234,441)</u>	<u>(48,910)</u>	<u>-</u>	<u>(50,369)</u>	<u>(111,719)</u>	<u>(2,235,190)</u>	<u>(10,997,596)</u>
<u>(115,257)</u>	<u>(234,441)</u>	<u>372,342</u>	<u>-</u>	<u>(50,369)</u>	<u>(111,719)</u>	<u>(2,235,190)</u>	<u>(10,576,344)</u>
824,059	510,011	976,396	473	22,326	(11,256)	557,506	3,601,716
<u>375,000</u>	<u>1,901,970</u>	<u>-</u>	<u>179,501</u>	<u>221,820</u>	<u>114,255</u>	<u>12,722</u>	<u>4,937,933</u>
<u>\$ 1,199,059</u>	<u>\$ 2,411,981</u>	<u>\$ 976,396</u>	<u>\$ 179,974</u>	<u>\$ 244,146</u>	<u>\$ 102,999</u>	<u>\$ 570,228</u>	<u>\$ 8,539,649</u>

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	-	\$ (10,000)
Revenue from other agencies	<u>2,338,032</u>	<u>2,338,032</u>	<u>\$ 1,464,831</u>	<u>(873,201)</u>
TOTAL REVENUES	<u>2,348,032</u>	<u>2,348,032</u>	<u>1,464,831</u>	<u>(883,201)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,205,500)</u>	<u>(1,205,500)</u>	<u>(1,821,710)</u>	<u>(616,210)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,205,500)</u>	<u>(1,205,500)</u>	<u>(1,821,710)</u>	<u>(616,210)</u>
NET CHANGE IN FUND BALANCE	1,142,532	1,142,532	(356,879)	(1,499,411)
FUND BALANCE - BEGINNING OF YEAR	<u>826,426</u>	<u>826,426</u>	<u>826,426</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,968,958</u>	<u>\$ 1,968,958</u>	<u>\$ 469,547</u>	<u>\$ (1,499,411)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	-	-	\$ 466	\$ 466
Revenue from other agencies	\$ 5,000	\$ 5,000	5,446	446
FUND BALANCE - BEGINNING OF YEAR	<u>139,722</u>	<u>139,722</u>	<u>139,722</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 144,722</u>	<u>\$ 144,722</u>	<u>\$ 145,634</u>	<u>\$ 912</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

RETIREMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 6,955,000	\$ 6,955,000	\$ 6,559,146	\$ (395,854)
OTHER FINANCING USES:				
Transfers out	<u>(7,000,000)</u>	<u>(7,000,000)</u>	<u>(6,380,000)</u>	<u>620,000</u>
NET CHANGE IN FUND BALANCE	(45,000)	(45,000)	179,146	224,146
FUND BALANCE - BEGINNING OF YEAR	<u>23,172</u>	<u>23,172</u>	<u>23,172</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (21,828)</u>	<u>\$ (21,828)</u>	<u>\$ 202,318</u>	<u>\$ 224,146</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROP A SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 5,000	\$ 5,000	\$ 5,893	\$ 893
Revenue from other agencies	<u>885,053</u>	<u>885,053</u>	<u>888,129</u>	<u>3,076</u>
TOTAL REVENUES	<u>890,053</u>	<u>890,053</u>	<u>894,022</u>	<u>3,969</u>
OTHER FINANCING USES:				
Transfers out	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>-</u>	<u>1,050,000</u>
NET CHANGE IN FUND BALANCE	(159,947)	(159,947)	894,022	1,053,969
FUND BALANCE - BEGINNING OF YEAR	<u>1,143,345</u>	<u>1,143,345</u>	<u>1,143,345</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 983,398</u>	<u>\$ 983,398</u>	<u>\$ 2,037,367</u>	<u>\$ 1,053,969</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DRUG ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 16,000	\$ 16,000	\$ 2,627	\$ (13,373)
Revenue from other agencies	<u>400,000</u>	<u>400,000</u>	<u>936,689</u>	<u>536,689</u>
TOTAL REVENUES	<u>416,000</u>	<u>416,000</u>	<u>939,316</u>	<u>523,316</u>
OTHER FINANCING USES:				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(115,257)</u>	<u>(65,257)</u>
NET CHANGE IN FUND BALANCE	366,000	366,000	824,059	458,059
FUND BALANCE - BEGINNING OF YEAR	<u>375,000</u>	<u>375,000</u>	<u>375,000</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 741,000</u>	<u>\$ 741,000</u>	<u>\$ 1,199,059</u>	<u>\$ 458,059</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROP C SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 6,405	\$ (3,595)
Revenue from other agencies	<u>734,128</u>	<u>734,128</u>	<u>738,047</u>	<u>3,919</u>
TOTAL REVENUES	<u>744,128</u>	<u>744,128</u>	<u>744,452</u>	<u>324</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(234,441)</u>	<u>(234,441)</u>
NET CHANGE IN FUND BALANCE	744,128	744,128	510,011	(234,117)
FUND BALANCE - BEGINNING OF YEAR	<u>1,901,970</u>	<u>1,901,970</u>	<u>1,901,970</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,646,098</u>	<u>\$ 2,646,098</u>	<u>\$ 2,411,981</u>	<u>\$ (234,117)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from other agencies	\$ 550,596	\$ 550,596	\$ 604,054	\$ 53,458
TOTAL REVENUES	<u>550,596</u>	<u>550,596</u>	<u>604,054</u>	<u>53,458</u>
OTHER FINANCING USES:				
Transfers in	-	-	421,252	421,252
Transfers out	<u>(550,596)</u>	<u>(550,596)</u>	<u>(48,910)</u>	<u>501,686</u>
NET CHANGE IN FUND BALANCE	-	-	976,396	976,396
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,396</u>	<u>\$ 976,396</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

METRO STATION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 3,000	\$ 3,000	\$ 473	\$ (2,527)
FUND BALANCE - BEGINNING OF YEAR	<u>179,501</u>	<u>179,501</u>	<u>179,501</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 182,501</u>	<u>\$ 182,501</u>	<u>\$ 179,974</u>	<u>\$ (2,527)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 3,000	\$ 3,000	\$ 698	\$ (2,302)
Revenue from other agencies	<u>80,000</u>	<u>80,000</u>	<u>71,997</u>	<u>(8,003)</u>
TOTAL REVENUES	<u>83,000</u>	<u>83,000</u>	<u>72,695</u>	<u>(10,305)</u>
OTHER FINANCING USES:				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,369)</u>	<u>(369)</u>
NET CHANGE IN FUND BALANCE	33,000	33,000	22,326	(10,674)
FUND BALANCE - BEGINNING OF YEAR	<u>221,820</u>	<u>221,820</u>	<u>221,820</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 254,820</u>	<u>\$ 254,820</u>	<u>\$ 244,146</u>	<u>\$ (10,674)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	-	-	\$ 463	\$ 463
Revenue from other agencies	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL REVENUES	<u>100,000</u>	<u>100,000</u>	<u>100,463</u>	<u>463</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(111,719)</u>	<u>(111,719)</u>
NET CHANGE IN FUND BALANCE	100,000	100,000	(11,256)	(111,256)
FUND BALANCE - BEGINNING OF YEAR	<u>114,255</u>	<u>114,255</u>	<u>114,255</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 214,255</u>	<u>\$ 214,255</u>	<u>\$ 102,999</u>	<u>\$ (111,256)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from other agencies	<u>\$ 1,851,554</u>	<u>\$ 1,851,554</u>	<u>\$ 2,792,696</u>	<u>\$ 941,142</u>
TOTAL REVENUES	<u>1,851,554</u>	<u>1,851,554</u>	<u>2,792,696</u>	<u>941,142</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,235,190)</u>	<u>(2,235,190)</u>
NET CHANGE IN FUND BALANCE	<u>1,851,554</u>	<u>1,851,554</u>	<u>557,506</u>	<u>(1,294,048)</u>
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>12,722</u>	<u>12,722</u>	<u>12,722</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,864,276</u>	<u>\$ 1,864,276</u>	<u>\$ 570,228</u>	<u>\$ (1,294,048)</u>

See independent auditors' report.

OTHER DEBT SERVICE FUNDS

City Fund - To account for the accumulation of resources required for the payment of interest and principal on all certificates of participation.

Public Financing Authority Fund - To account for the accumulation of resources required for payment of interest and principal on all Public Financing Authority revenue bonds.

MAJOR DEBT SERVICE FUND

Redevelopment Agency Fund - To account for the accumulation of resources required for the payment of interest and principal on all Agency tax allocation bonds.

CITY OF MONTEBELLO
 COMBINING BALANCE SHEET
 OTHER DEBT SERVICE FUNDS

June 30, 2011

	City	Public Financing Authority	Total Other Debt Service Funds
ASSETS			
Cash and investments	\$ 30,679	-	\$ 30,679
Cash and investments with fiscal agent	1,819,210	\$ 4,525,681	6,344,891
Due from other funds	1,790,046	346,449	2,136,495
TOTAL ASSETS	\$ 3,639,935	\$ 4,872,130	\$ 8,512,065
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 1,790,046	-	\$ 1,790,046
TOTAL LIABILITIES	1,790,046	-	1,790,046
FUND BALANCES:			
Restricted for:			
Debt Service	1,849,889	\$ 4,872,130	6,722,019
TOTAL FUND BALANCES	1,849,889	4,872,130	6,722,019
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,639,935	\$ 4,872,130	\$ 8,512,065

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER DEBT SERVICE FUNDS

For the year ended June 30, 2011

	<u>City</u>	<u>Public Financing Authority</u>	<u>Total Other Debt Service Funds</u>
REVENUES:			
Investment income	-	-	-
EXPENDITURES:			
Debt service:			
Principal payments	\$ 1,254,480	\$ 320,000	\$ 1,574,480
Interest and fees	808,758	69,411	878,169
Other	<u>8,625</u>	<u>-</u>	<u>8,625</u>
TOTAL EXPENDITURES	<u>2,071,863</u>	<u>389,411</u>	<u>2,461,274</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,071,863)</u>	<u>(389,411)</u>	<u>(2,461,274)</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>1,790,403</u>	<u>1,048,831</u>	<u>2,839,234</u>
NET CHANGE IN FUND BALANCE	(281,460)	659,420	377,960
FUND BALANCES - BEGINNING OF YEAR	<u>2,131,349</u>	<u>4,212,710</u>	<u>6,344,059</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,849,889</u>	<u>\$ 4,872,130</u>	<u>\$ 6,722,019</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY DEBT SERVICE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	-	\$ (10,000)
EXPENDITURES:				
Debt Service:				
Principal payments	1,254,480	1,254,480	\$ 1,254,480	-
Interest and fees	854,192	854,192	808,758	45,434
Other	-	-	8,625	(8,625)
TOTAL EXPENDITURES	<u>2,108,672</u>	<u>2,108,672</u>	<u>2,071,863</u>	<u>36,809</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,098,672)	(2,098,672)	(2,071,863)	26,809
OTHER FINANCING SOURCES:				
Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,790,403</u>	<u>(209,597)</u>
NET CHANGE IN FUND BALANCE	(98,672)	(98,672)	(281,460)	(182,788)
FUND BALANCE - BEGINNING OF YEAR	<u>2,131,349</u>	<u>2,131,349</u>	<u>2,131,349</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,032,677</u>	<u>\$ 2,032,677</u>	<u>\$ 1,849,889</u>	<u>\$ (182,788)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 15,000	\$ 15,000	-	\$ (15,000)
EXPENDITURES:				
Debt Service:				
Principal payments	320,000	320,000	\$ 320,000	-
Interest and fees	238,425	238,425	69,411	169,014
TOTAL EXPENDITURES	558,425	558,425	389,411	169,014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(543,425)	(543,425)	(389,411)	154,014
OTHER FINANCING SOURCES:				
Transfer in	-	-	1,048,831	1,048,831
NET CHANGE IN FUND BALANCE	(543,425)	(543,425)	659,420	1,202,845
FUND BALANCE - BEGINNING OF YEAR	4,212,710	4,212,710	4,212,710	-
FUND BALANCE - END OF YEAR	\$ 3,669,285	\$ 3,669,285	\$ 4,872,130	\$ 1,202,845

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY DEBT SERVICE FUND - MAJOR FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Property taxes	\$ 14,120,000	\$ 14,120,000	\$ 14,226,315	\$ 106,315
Investment income	150,000	150,000	51,343	(98,657)
TOTAL REVENUES	<u>14,270,000</u>	<u>14,270,000</u>	<u>14,277,658</u>	<u>7,658</u>
EXPENDITURES:				
Housing and community development	-	-	87,354	(87,354)
Debt Service:				
Principal payments	2,835,000	2,835,000	7,592,015	(4,757,015)
Interest and fees	<u>3,965,740</u>	<u>3,965,740</u>	<u>3,680,318</u>	<u>285,422</u>
TOTAL EXPENDITURES	<u>6,800,740</u>	<u>6,800,740</u>	<u>11,359,687</u>	<u>(4,558,947)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,469,260</u>	<u>7,469,260</u>	<u>2,917,971</u>	<u>(4,551,289)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	600,000	600,000	1,300,000	700,000
Transfers out	<u>(10,101,000)</u>	<u>(10,101,000)</u>	<u>(4,793,117)</u>	<u>5,307,883</u>
OTHER FINANCING SOURCES (USES):	<u>(9,501,000)</u>	<u>(9,501,000)</u>	<u>(3,493,117)</u>	<u>6,007,883</u>
NET CHANGE IN FUND BALANCE	(2,031,740)	(2,031,740)	(575,146)	1,456,594
FUND BALANCE - BEGINNING OF YEAR	<u>13,373,940</u>	<u>13,373,940</u>	<u>13,373,940</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 11,342,200</u>	<u>\$ 11,342,200</u>	<u>\$ 12,798,794</u>	<u>\$ 1,456,594</u>

See independent auditors' report.

OTHER CAPITAL PROJECTS FUND

Public Financing Authority Fund - To account for the proceeds received and issuance of bonds for capital improvements.

MAJOR CAPITAL PROJECTS FUNDS

Capital Improvements Fund - To account for financial resources segregated for the acquisition of major general City capital facilities other than those financed by special assessment and proprietary funds.

Redevelopment Agency Fund - To account for financial resources segregated for the acquisition of and rehabilitation of capital facilities within the redevelopment project areas.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC FINANCING AUTHORITY CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 5,000	\$ 5,000	\$ 2	\$ (4,998)
Other revenue	<u>800,000</u>	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>
TOTAL REVENUES	<u>805,000</u>	<u>805,000</u>	<u>2</u>	<u>(804,998)</u>
EXPENDITURES:				
Debt Service:				
Interest and fees	<u>-</u>	<u>-</u>	<u>265,970</u>	<u>(265,970)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>265,970</u>	<u>(265,970)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>805,000</u>	<u>805,000</u>	<u>(265,968)</u>	<u>(1,070,968)</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>275,714</u>	<u>275,714</u>
CHANGE IN FUND BALANCE	805,000	805,000	9,746	(795,254)
FUND BALANCE - BEGINNING OF YEAR	<u>640,889</u>	<u>640,889</u>	<u>640,889</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,445,889</u>	<u>\$ 1,445,889</u>	<u>\$ 650,635</u>	<u>\$ (795,254)</u>

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Investment income	\$ 750,000	\$ 750,000	\$ 285,420	\$ (464,580)
Revenue from other agencies	-	-	681,299	681,299
Other revenue	10,000	10,000	150,000	140,000
TOTAL REVENUES	760,000	760,000	1,116,719	356,719
EXPENDITURES:				
Capital outlay	12,219,245	12,219,245	5,294,741	6,924,504
Debt Service:				
Principal payments	-	-	258,000	(258,000)
TOTAL EXPENDITURES	12,219,245	12,219,245	5,552,741	6,666,504
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,459,245)	(11,459,245)	(4,436,022)	7,023,223
OTHER FINANCING SOURCES (USES):				
Transfers in	1,869,283	1,869,283	7,725,005	5,855,722
Transfers out	(2,300,000)	(2,300,000)	-	2,300,000
TOTAL OTHER FINANCING SOURCES (USES)	(430,717)	(430,717)	7,725,005	8,155,722
NET CHANGE IN FUND BALANCE	(11,889,962)	(11,889,962)	3,288,983	15,178,945
FUND BALANCE - BEGINNING OF YEAR	(697,133)	(697,133)	(697,133)	-
FUND BALANCE - END OF YEAR	\$ (12,587,095)	\$ (12,587,095)	\$ 2,591,850	\$ 15,178,945

See independent auditors' report.

CITY OF MONTEBELLO

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Property taxes	\$ 2,240,000	\$ 2,240,000	\$ 2,319,742	\$ 79,742
Investment income	590,000	590,000	120,940	(469,060)
Other revenue	530,000	530,000	1,232,411	702,411
TOTAL REVENUES	<u>3,360,000</u>	<u>3,360,000</u>	<u>3,673,093</u>	<u>313,093</u>
EXPENDITURES:				
Current:				
Housing and community development	5,876,013	5,876,013	6,020,826	(144,813)
Debt service:				
Principal payments	-	-	522,589	(522,589)
Other	-	-	243,139	(243,139)
TOTAL EXPENDITURES	<u>5,876,013</u>	<u>5,876,013</u>	<u>6,786,554</u>	<u>(910,541)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,516,013)</u>	<u>(2,516,013)</u>	<u>(3,113,461)</u>	<u>(597,448)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,200,000	6,200,000	3,002,711	(3,197,289)
Transfers out	(3,101,811)	(3,101,811)	(1,300,000)	1,801,811
Prepayment on lease agreement	-	-	(13,487,438)	(13,487,438)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,098,189</u>	<u>3,098,189</u>	<u>(11,784,727)</u>	<u>(14,882,916)</u>
NET CHANGE IN FUND BALANCE	582,176	582,176	(14,898,188)	(15,480,364)
FUND BALANCE - BEGINNING OF YEAR	<u>36,076,680</u>	<u>36,076,680</u>	<u>36,076,680</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,658,856</u>	<u>\$ 36,658,856</u>	<u>\$ 21,178,492</u>	<u>\$ (15,480,364)</u>

See independent auditors' report.

OTHER ENTERPRISE FUNDS

Water Utility Fund - To account for the provision of water to the residents of the City. All activities necessary to provide such service are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing, and billing and collection.

Detention Facility Fund - To account for all revenues and expenses related to the operations of the Montebello Police Department jail.

CITY OF MONTEBELLO

COMBINING STATEMENT OF NET ASSETS - OTHER ENTERPRISE FUNDS

June 30, 2011

	Water Utility	Detention Facility	Total Other Enterprise Funds
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 1,149,730	\$ 4	\$ 1,149,734
Accounts receivable	<u>137,474</u>	<u>-</u>	<u>137,474</u>
TOTAL CURRENT ASSETS	<u>1,287,204</u>	<u>4</u>	<u>1,287,208</u>
NONCURRENT ASSETS:			
Capital assets:			
Land	35,000	-	35,000
Buildings and improvements	141,284	-	141,284
Machinery and equipment	2,185,927	18,891	2,204,818
Less: Allowance for depreciation	<u>(2,026,156)</u>	<u>(14,570)</u>	<u>(2,040,726)</u>
NET CAPITAL ASSETS	<u>336,055</u>	<u>4,321</u>	<u>340,376</u>
TOTAL ASSETS	<u>1,623,259</u>	<u>4,325</u>	<u>1,627,584</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	315,990	107,658	423,648
Deposits payable	31,675	-	31,675
Compensated absences	<u>959</u>	<u>-</u>	<u>959</u>
TOTAL CURRENT LIABILITIES	<u>348,624</u>	<u>107,658</u>	<u>456,282</u>
NET ASSETS (DEFICIT):			
Invested in capital assets	336,055	4,321	340,376
Unrestricted	<u>938,580</u>	<u>(107,654)</u>	<u>830,926</u>
TOTAL NET ASSETS	<u>\$ 1,274,635</u>	<u>\$ (103,333)</u>	<u>\$ 1,171,302</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - OTHER ENTERPRISE FUNDS

For the year ended June 30, 2011

	Water Utility	Detention Facility	Total Other Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services	\$ 1,313,715	\$ 201,600	\$ 1,515,315
OPERATING EXPENSES:			
Labor and fringe benefits	8,592	-	8,592
Repairs and maintenance	42	5,288	5,330
Purchased water	1,346,503	-	1,346,503
Utilities	163,041	-	163,041
Contract services	8,800	452,343	461,143
Depreciation expense	58,181	961	59,142
Administrative expense	<u>90,000</u>	<u>-</u>	<u>90,000</u>
TOTAL OPERATING EXPENSES	<u>1,675,159</u>	<u>458,592</u>	<u>2,133,751</u>
OPERATING LOSS	(361,444)	(256,992)	(618,436)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>133,000</u>	<u>133,000</u>
CHANGE IN NET ASSETS	(361,444)	(123,992)	(485,436)
NET ASSETS - BEGINNING OF YEAR	<u>1,636,079</u>	<u>20,659</u>	<u>1,656,738</u>
NET ASSETS - END OF YEAR	<u>\$ 1,274,635</u>	<u>\$ (103,333)</u>	<u>\$ 1,171,302</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF CASH FLOWS - OTHER ENTERPRISE FUNDS

For the year ended June 30, 2011

	<u>Water Utility</u>	<u>Detention Facility</u>	<u>Total Other Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,400,438	\$ 201,600	\$ 1,602,038
Payments to suppliers	(1,477,168)	(391,079)	(1,868,247)
Payments to employees	<u>(8,621)</u>	<u>-</u>	<u>(8,621)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(85,351)</u>	 <u>(189,479)</u>	 <u>(274,830)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	<u>1,230,000</u>	<u>133,000</u>	<u>1,363,000</u>
 NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	 <u>1,230,000</u>	 <u>133,000</u>	 <u>1,363,000</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 1,144,649	 (56,479)	 1,088,170
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>5,081</u>	 <u>56,483</u>	 <u>61,564</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 1,149,730</u>	 <u>\$ 4</u>	 <u>\$ 1,149,734</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	\$ (361,444)	\$ (256,992)	\$ (618,436)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation and amortization	58,181	961	59,142
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	86,723	-	86,723
Increase (decrease) in accounts payable and accrued liabilities including compensated absences	<u>131,189</u>	<u>66,552</u>	<u>197,741</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>\$ (85,351)</u>	 <u>\$ (189,479)</u>	 <u>\$ (274,830)</u>

See independent auditors' report.

INTERNAL SERVICE FUNDS

Corporate Shop Fund - To account for the costs of operating a maintenance facility for automotive equipment used by City departments.

Equipment Reserve Fund - To account for the financing for replacement of all equipment used by City departments.

Self-Insurance Fund - To account for the accumulation of resources for and liquidation of the City's self-insurance claims.

CITY OF MONTEBELLO

COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS

June 30, 2011

	<u>Corporate Shop</u>	<u>Equipment Reserve</u>	<u>Self-Insurance</u>	<u>Totals</u>
ASSETS				
CURRENT ASSETS:				
Cash and investments	\$ 623,919	-	\$ 379,711	\$ 1,003,630
Due from other funds	-	-	8,400,000	8,400,000
Inventories	<u>949,673</u>	<u>-</u>	<u>-</u>	<u>949,673</u>
 TOTAL CURRENT ASSETS	 <u>1,573,592</u>	 <u>-</u>	 <u>8,779,711</u>	 <u>10,353,303</u>
NONCURRENT ASSETS:				
Capital assets:				
Land	108,369	-	-	108,369
Buildings and improvements	428,794	-	-	428,794
Machinery and equipment	643,651	-	-	643,651
Less: Allowance for depreciation	<u>(1,056,990)</u>	<u>-</u>	<u>-</u>	<u>(1,056,990)</u>
 NET CAPITAL ASSETS	 <u>123,824</u>	 <u>-</u>	 <u>-</u>	 <u>123,824</u>
 TOTAL ASSETS	 <u>1,697,416</u>	 <u>-</u>	 <u>8,779,711</u>	 <u>10,477,127</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	353,773	-	116,961	470,734
Claims payable	-	-	11,011,339	11,011,339
Due to other funds	-	-	7,500	7,500
Compensated absences	<u>260,963</u>	<u>-</u>	<u>3,777</u>	<u>264,740</u>
 TOTAL CURRENT LIABILITIES	 <u>614,736</u>	 <u>-</u>	 <u>11,139,577</u>	 <u>11,754,313</u>
 TOTAL LIABILITIES	 <u>614,736</u>	 <u>-</u>	 <u>11,139,577</u>	 <u>11,754,313</u>
NET ASSETS (DEFICIT):				
Invested in capital assets	123,824	-	-	123,824
Unrestricted	<u>958,856</u>	<u>-</u>	<u>(2,359,866)</u>	<u>(1,401,010)</u>
 TOTAL NET ASSETS (DEFICIT)	 <u>\$ 1,082,680</u>	 <u>\$ -</u>	 <u>\$ (2,359,866)</u>	 <u>\$ (1,277,186)</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - ALL INTERNAL SERVICE FUNDS

For the year ended June 30, 2011

	Corporate Shop	Equipment Reserve	Self-Insurance	Totals
OPERATING REVENUES:				
Charges for services	<u>\$ 7,691,173</u>	-	<u>\$ 4,676,388</u>	<u>\$ 12,367,561</u>
OPERATING EXPENSES:				
Labor and fringe benefits	2,998,857	-	126,504	3,125,361
Materials and supplies	3,507,419	-	603	3,508,022
Repairs and maintenance	577,142	-		577,142
Insurance claims and premiums			4,918,857	4,918,857
Contractual services	292,178	-	364,292	656,470
Depreciation expense	1,384	-		1,384
Administrative expense	-	-	66,100	66,100
Other expenses	<u>21,880</u>	-	<u>19,590</u>	<u>41,470</u>
 TOTAL OPERATING EXPENSES	 <u>7,398,860</u>	 -	 <u>5,495,946</u>	 <u>12,894,806</u>
 OPERATING INCOME (LOSS) BEFORE TRANSFERS	 <u>292,313</u>	 -	 <u>(819,558)</u>	 <u>(527,245)</u>
TRANSFERS OUT	<u>-</u>	<u>\$ (1,122,952)</u>	<u>-</u>	<u>(1,122,952)</u>
 CHANGE IN NET ASSETS	 292,313	 (1,122,952)	 (819,558)	 (1,650,197)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>790,367</u>	<u>1,122,952</u>	<u>(1,540,308)</u>	<u>373,011</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 1,082,680</u>	<u>\$ -</u>	<u>\$ (2,359,866)</u>	<u>\$ (1,277,186)</u>

See independent auditors' report.

CITY OF MONTEBELLO

COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

For the year ended June 30, 2011

	<u>Corporate Shop</u>	<u>Equipment Reserve</u>	<u>Self-Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 7,691,173	-	\$ 4,686,388	\$ 12,377,561
Payments to suppliers	(4,395,175)	-	(4,578,659)	(8,973,834)
Payments to employees	<u>(3,028,887)</u>	<u>-</u>	<u>(122,022)</u>	<u>(3,150,909)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>267,111</u>	<u>-</u>	<u>(14,293)</u>	<u>252,818</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	300,000	\$ 1,100,000	347,500	1,747,500
Cash paid to other funds	<u>-</u>	<u>(1,122,952)</u>	<u>-</u>	<u>(1,122,952)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>300,000</u>	<u>(22,952)</u>	<u>347,500</u>	<u>624,548</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	567,111	(22,952)	333,207	877,366
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>56,808</u>	<u>22,952</u>	<u>46,504</u>	<u>126,264</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 623,919</u>	<u>\$ -</u>	<u>\$ 379,711</u>	<u>\$ 1,003,630</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 292,313	-	\$ (819,558)	\$ (527,245)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,384	-	-	1,384
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	-		10,000	10,000
(Increase) decrease in inventories	(104,692)	-	-	(104,692)
(Increase) decrease in prepaid expenses	-	-	1,122	1,122
Increase (decrease) in accrued liabilities including compensated absences	78,106	-	111,929	190,035
Increase in claims payable	<u>-</u>	<u>-</u>	<u>682,214</u>	<u>682,214</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 267,111</u>	<u>\$ -</u>	<u>\$ (14,293)</u>	<u>\$ 252,818</u>

See independent auditors' report.

THIS PAGE LEFT INTENTIONALLY BLANK

STATISTICAL SECTION
(UNAUDITED)

CITY OF MONTEBELLO

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2011

STATISTICAL SECTION (Unaudited)

This part of the City of Montebello's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	152 - 161
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	162 - 167
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	168 - 172
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	173 - 174
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	175 - 179

CITY OF MONTEBELLO

Net Assets by Component
 Last Seven Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Governmental Activities				
Invested in capital assets, net of related debt	\$ 16,757,420	\$ 16,757,420	\$ 16,757,420	\$ 16,757,420
Restricted	46,255,503	45,942,363	51,949,836	61,999,161
Unrestricted	<u>(61,733,648)</u>	<u>(57,664,431)</u>	<u>(52,527,623)</u>	<u>(51,800,615)</u>
Total governmental activities net assets	<u>1,279,275</u>	<u>5,035,352</u>	<u>16,179,633</u>	<u>26,955,966</u>
Business-Type Activities				
Invested in capital assets, net of related debt	29,488,367	30,705,710	28,924,295	29,084,971
Restricted	-	-	-	-
Unrestricted	<u>1,395,613</u>	<u>2,418,506</u>	<u>2,818,773</u>	<u>959,454</u>
	<u>30,883,980</u>	<u>33,124,216</u>	<u>31,743,068</u>	<u>30,044,425</u>
Primary Government				
Invested in capital assets, net of related debt	46,245,787	47,463,130	45,681,715	45,842,391
Restricted	46,255,503	45,942,363	51,949,836	61,999,161
Unrestricted	<u>(60,338,035)</u>	<u>(55,245,925)</u>	<u>(49,708,850)</u>	<u>(50,841,161)</u>
	<u>\$ 32,163,255</u>	<u>\$ 38,159,568</u>	<u>\$ 47,922,701</u>	<u>\$ 57,000,391</u>

Source: City Financial Statements

Fiscal Year		
2008-09	2009-10	2010-11
\$ 28,992,463	\$ 51,377,564	\$ 50,154,445
63,061,184	24,305,187	28,522,292
(68,290,188)	(46,153,068)	(42,582,327)
<u>23,763,459</u>	<u>29,529,683</u>	<u>36,094,410</u>
37,693,683	50,781,549	50,305,058
-	-	-
(1,469,666)	(3,518,995)	(5,887,082)
<u>36,224,017</u>	<u>47,262,554</u>	<u>44,417,976</u>
66,686,146	102,159,113	100,459,503
63,061,184	24,305,187	28,522,292
(69,759,854)	(49,672,063)	(48,469,409)
<u>\$ 59,987,476</u>	<u>\$ 76,792,237</u>	<u>\$ 80,512,386</u>

CITY OF MONTEBELLO

Changes in Net Assets - Expense and Program Revenues
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Expenses:				
Governmental Activities:				
General government	\$ 6,365,313	\$ 7,327,350	\$ 7,665,115	\$ 8,793,934
Public safety	25,540,413	25,635,372	26,246,104	29,893,922
Public works	7,141,347	8,349,482	4,454,728	5,375,202
Parks, recreation, and culture	5,776,598	6,932,418	4,628,107	5,014,204
Housing and community development	10,324,816	3,129,908	7,245,302	5,533,866
Unallocated infrastructure depreciation	746,251	506,840	582,928	612,202
Interest on long-term debt	5,104,601	5,725,349	5,987,723	6,425,606
Total governmental activities and expenses	<u>60,999,339</u>	<u>57,606,719</u>	<u>56,810,007</u>	<u>61,648,936</u>
Business-Type Activities:				
Transit	21,132,477	24,540,700	26,033,078	28,483,736
Golf course	2,884,869	3,035,806	3,310,810	3,044,757
Montebello Hilton	-	3,209,676	3,411,125	3,774,282
Other programs	4,254,116	1,644,374	1,630,225	2,245,349
Total business-type activities and expenses	<u>28,271,462</u>	<u>32,430,556</u>	<u>34,385,238</u>	<u>37,548,124</u>
Total primary government expenses	<u>\$ 89,270,801</u>	<u>\$ 90,037,275</u>	<u>\$ 91,195,245</u>	<u>\$ 99,197,060</u>
Program revenues:				
Governmental Activities:				
Charges for services:				
General government	\$ 2,833,351	\$ 2,892,218	\$ 3,135,760	\$ 3,230,738
Public safety	1,025,580	1,156,226	1,437,604	2,222,811
Public works	4,432,232	4,948,126	5,464,663	5,793,246
Parks, recreation, and culture	497,942	468,623	476,112	721,531
Housing and community development	-	-	107,737	-
Operating grants and contributions	7,775,862	6,006,905	9,040,588	9,074,067
Total governmental activities program revenues	<u>16,564,967</u>	<u>15,472,098</u>	<u>19,662,464</u>	<u>21,042,393</u>
Business-Type Activities:				
Charges for services:				
Transit	5,332,698	5,570,132	5,896,805	5,856,016
Golf course	2,323,086	3,370,757	3,399,226	3,178,243
Montebello Hilton	5,099,245	4,157,197	4,391,536	4,590,851
Other programs	-	1,487,036	1,702,443	1,722,561
Operating grants and contributions	13,498,708	16,944,255	15,746,472	19,462,038
Capital grants and contributions	955,190	3,357,984	122,409	938,311
Total business-type activities program revenues	<u>27,208,927</u>	<u>34,887,361</u>	<u>31,258,891</u>	<u>35,748,020</u>
Primary government program revenues	<u>\$ 43,773,894</u>	<u>\$ 50,359,459</u>	<u>\$ 50,921,355</u>	<u>\$ 56,790,413</u>
Net (Expense) Revenue:				
Governmental activities:	\$ (44,434,372)	\$ (42,134,621)	\$ (37,147,543)	\$ (40,606,543)
Business-type activities:	<u>(1,062,535)</u>	<u>2,456,805</u>	<u>(3,126,347)</u>	<u>(1,800,104)</u>
Total primary government net (expense) revenue	<u>\$ (45,496,907)</u>	<u>\$ (39,677,816)</u>	<u>\$ (40,273,890)</u>	<u>\$ (42,406,647)</u>

Source: City Financial Statements

	Fiscal Year		
	2008-09	2009-10	2010-11
\$ 10,840,411	\$ 5,181,691	\$ 5,837,211	
33,131,797	34,440,947	30,196,363	
5,098,404	5,383,610	5,916,177	
4,994,538	6,194,042	4,955,587	
12,760,934	12,479,919	11,811,986	
659,156	698,249	704,807	
5,837,489	5,072,065	5,142,772	
<u>73,322,729</u>	<u>69,450,523</u>	<u>64,564,903</u>	
25,773,717	24,752,340	23,653,069	
3,404,206	3,064,788	3,028,680	
3,521,600	3,509,164	3,483,481	
1,895,974	2,125,401	2,133,751	
<u>34,595,497</u>	<u>33,451,693</u>	<u>32,298,981</u>	
<u>\$ 107,918,226</u>	<u>\$ 102,902,216</u>	<u>\$ 96,863,884</u>	
\$ 3,293,527	\$ 3,854,697	\$ 4,171,044	
2,383,579	2,741,147	2,570,877	
5,651,310	5,059,588	4,911,495	
735,910	501,801	602,711	
-	-	-	
7,256,003	9,829,694	8,283,190	
<u>19,320,329</u>	<u>21,986,927</u>	<u>20,539,317</u>	
6,391,094	6,156,991	6,340,026	
2,806,983	2,537,564	2,633,844	
3,994,972	3,846,393	4,027,805	
1,457,989	1,585,638	1,515,315	
17,243,596	15,487,526	16,398,554	
9,578,566	16,253,784	3,226,572	
<u>41,473,200</u>	<u>45,867,896</u>	<u>34,142,116</u>	
<u>\$ 60,793,529</u>	<u>\$ 67,854,823</u>	<u>\$ 54,681,433</u>	
\$ (54,002,400)	\$ (47,463,596)	\$ (44,025,586)	
6,877,703	12,416,203	1,843,135	
<u>\$ (47,124,697)</u>	<u>\$ (35,047,393)</u>	<u>\$ (42,182,451)</u>	

CITY OF MONTEBELLO

Changes in Net Assets - General Revenues
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 19,651,384	\$ 21,695,458	\$ 22,851,037	\$ 25,324,813
Franchise taxes	942,645	1,059,921	1,228,866	1,220,316
Sales tax	11,620,826	12,119,985	12,620,273	11,390,099
Transient occupancy tax	261,501	299,819	263,457	288,514
Unrestricted intergovernmental revenue	4,128,660	4,611,374	4,768,533	5,037,324
Rental income	79,597	93,037	-	-
Other revenues	2,924,572	3,147,168	4,578,393	3,474,114
Investment earnings	2,011,649	2,591,235	3,052,086	4,446,085
Transfers	(125,427)	272,701	(1,070,821)	201,611
Total governmental activities	<u>41,495,407</u>	<u>45,890,698</u>	<u>48,291,824</u>	<u>51,382,876</u>
Business-Type Activities:				
Other revenues	921,990	-	-	-
Investment earnings	25,477	56,132	114,890	75,421
Transfers	125,427	(272,701)	1,070,821	(201,611)
Total business-type activities	<u>1,072,894</u>	<u>(216,569)</u>	<u>1,185,711</u>	<u>(126,190)</u>
Total primary government	<u>\$ 42,568,301</u>	<u>\$ 45,674,129</u>	<u>\$ 49,477,535</u>	<u>\$ 51,256,686</u>
Change in Net Assets:				
Governmental Activities:	\$ (2,938,965)	\$ 3,756,077	\$ 11,144,281	\$ 10,776,333
Business-Type Activities:	<u>10,359</u>	<u>2,240,236</u>	<u>(1,940,636)</u>	<u>(3,252,537)</u>
Total primary government	<u>\$ (2,928,606)</u>	<u>\$ 5,996,313</u>	<u>\$ 9,203,645</u>	<u>\$ 7,523,796</u>

Source: City Financial Statements

Fiscal Year		
2008-09	2009-10	2010-11
\$ 26,981,166	\$ 26,991,825	\$ 26,319,201
1,088,537	1,254,753	1,311,388
10,509,273	8,048,518	10,446,061
234,980	243,276	255,705
5,288,610	5,252,095	5,291,513
-	-	-
3,264,050	1,873,556	2,078,045
2,671,569	341,815	260,297
771,708	1,377,666	5,143,402
<u>50,809,893</u>	<u>45,383,504</u>	<u>51,105,612</u>
-	-	-
73,597	-	10,990
<u>(771,708)</u>	<u>(1,377,666)</u>	<u>(4,020,809)</u>
<u>(698,111)</u>	<u>(1,377,666)</u>	<u>(4,009,819)</u>
<u>\$ 50,111,782</u>	<u>\$ 44,005,838</u>	<u>\$ 47,095,793</u>
\$ (3,192,507)	\$ (2,080,092)	\$ 3,642,016
<u>(2,498,215)</u>	<u>11,038,537</u>	<u>8,406,384</u>
<u>\$ (5,690,722)</u>	<u>\$ 8,958,445</u>	<u>\$ 12,048,400</u>

CITY OF MONTEBELLO

Fund Balances - Governmental Funds

Last Seven Fiscal years
(modified accrual basis of accounting)

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
General Fund				
Reserved	\$ 185,579	\$ 579,809	\$ 36,598	\$ 1,783,752
Unreserved	(185,579)	(579,809)	(36,598)	(1,783,752)
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds:				
Reserved	\$ 33,144,032	\$ 33,244,204	\$ 30,098,672	\$ 36,110,337
Unreserved, designated reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved, undesignated reported in:				
Special revenue funds	6,664,883	6,419,209	3,068,370	(1,419,635)
Capital projects funds	10,015,452	9,950,527	22,506,174	-
Total all other governmental funds	<u>\$ 49,824,367</u>	<u>\$ 49,613,940</u>	<u>\$ 55,673,216</u>	<u>\$ 34,690,702</u>

Source: City Financial Statements

Fiscal Year		
2008-09	2009-10	2010-11
\$ 2,391,211	\$ 207,933	\$ 83,346
<u>(2,391,211)</u>	<u>(6,890,081)</u>	<u>4,892,230</u>
<u>\$ -</u>	<u>\$ (6,682,148)</u>	<u>\$ 4,975,576</u>
\$ 48,401,170	\$ 36,576,734	\$ 21,834,362
-	1,938,666	7,639,190
-	20,924,437	24,370,176
(296,182)	2,916,347	
<u>(1,262,713)</u>	<u>(1,164,517)</u>	
<u>\$ 46,842,275</u>	<u>\$ 61,191,667</u>	<u>\$ 53,843,728</u>

CITY OF MONTEBELLO

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales and Use Tax</u>	<u>Transient Occupancy Tax</u>	<u>Franchise Tax</u>	<u>Other Taxes</u>	<u>Total Taxes</u>
2001-02	\$ 16,296,780	\$ 9,246,622	\$ 224,688	\$ 976,677	\$ 300,912	\$ 27,045,679
2002-03	19,841,598	9,767,243	192,610	1,047,750	436,499	31,285,700
2003-04	19,623,358	9,968,228	263,947	1,091,014	361,019	31,307,566
2004-05	19,704,963	11,098,434	261,501	942,645	508,344	32,515,887
2005-06	21,759,482	12,072,217	299,819	1,059,921	977,578	36,169,017
2006-07	22,910,459	12,646,724	263,457	1,228,866	957,192	38,006,698
2007-08	25,510,627	11,686,503	288,514	1,220,316	1,212,604	39,918,564
2008-09	26,895,881	10,391,851	234,980	1,088,537	939,751	39,551,000
2009-10	26,991,825	8,417,053	243,276	1,254,753	961,373	37,868,280
2010-11	27,106,442	10,413,127	255,705	1,311,388	1,087,329	40,173,991

Source: City Financial Statements

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF MONTEBELLO

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years (rate per \$1,000 of assessed value)

Fiscal Year	City			Taxable Assessed Value
	Secured	Unsecured	Less: Exemptions (1)	
2001-02	\$ 1,787,430	\$ 148,709	\$ 20,907	\$ 1,915,232
2002-03	1,875,713	107,852	-	1,983,565
2003-04	2,084,644	46,023	-	2,130,667
2004-05	2,217,252	46,025	-	2,263,277
2005-06	2,414,667	47,403	-	2,462,070
2006-07	2,727,566	50,953	93,652	2,684,867
2007-08	2,944,225	93,142	85,955	2,951,412
2008-09	3,126,247	93,224	90,524	3,128,947
2009-10	3,075,831	94,754	97,719	3,072,866
2010-11	2,909,045	93,069	42,730	2,959,384

Source: Los Angeles County Assessor and Auditor Combined

Redevelopment Agency

Secured	Unsecured	Less: Exemptions (1)	Taxable Assessed Value
\$ 910,220	\$ 128,751	\$ 15,019	\$ 1,023,952
1,090,029	129,797	-	1,219,826
1,053,199	138,932	-	1,192,131
1,055,781	113,718	-	1,169,499
1,123,622	123,529	-	1,247,151
1,264,726	128,026	29,089	1,363,663
1,364,738	120,853	29,709	1,455,882
1,490,281	128,875	32,670	1,586,486
1,531,767	131,990	34,413	1,629,344
1,525,849	139,638	5,950	1,659,537

CITY OF MONTEBELLO

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years (rate per \$100 of taxable value)

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
City Direct Rate:					
City basic rate	1.000000	1.000000	1.000000	1.000000	1.000000
Retirement	0.197875	0.197875	0.197875	0.197875	0.197875
Total City Direct Rate	<u>1.197875</u>	<u>1.197875</u>	<u>1.197875</u>	<u>1.197875</u>	<u>1.197875</u>
Overlapping Rates:					
L.A. County General	0.001128	0.000992	0.000992	0.000923	0.000795
Montebello USD	0.043694	0.040764	0.040764	0.041717	0.070539
L.A. County Flood Control	0.001073	0.000462	0.000462	0.000245	0.000049
Metropolitan Water District	0.007700	0.006100	0.006100	0.005800	0.005200
Community College	0.015996	0.019857	0.019857	0.018098	0.014288
Totals	<u>1.267466</u>	<u>1.266050</u>	<u>1.266050</u>	<u>1.264658</u>	<u>1.288746</u>

Source: Los Angeles County Assessor and Auditor Combined

Fiscal Year				
2006-07	2007-08	2008-09	2009-10	2010-11
1.000000	1.000000	1.000000	1.000000	1.000000
0.197875	0.197875	0.197875	0.197875	0.197875
<u>1.197875</u>	<u>1.197875</u>	<u>1.197875</u>	<u>1.197875</u>	<u>1.197875</u>
-	-	-	-	-
0.066812	0.066812	0.066812	0.096730	0.097922
-	-	-	-	-
0.004500	0.004500	0.004500	0.004300	0.003700
0.008794	0.008794	0.008794	0.050250	0.040310
<u>1.277981</u>	<u>1.277981</u>	<u>1.277981</u>	<u>1.349155</u>	<u>1.339807</u>

CITY OF MONTEBELLO

Principal Property Tax Payers

Current Fiscal Year and Nine Fiscal Years Ago

Taxpayer	2010-11			2001-02		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Montebello Town Center Investor, LLC	\$ 171,976,970	1	3.67%	\$ 15,019,184	7	0.56%
Plain Exploration and Production	117,962,914	2	2.52%	-		0.00%
Bimbo Bakeries, USA	71,111,629	3	1.52%	-		0.00%
So Cal Gas Company	55,664,605	4	1.19%	-		0.00%
Prologis California I LLC	45,250,978	5	0.97%	39,486,120	2	1.49%
Advanced Group 07 93	40,755,193	6	0.87%	-		0.00%
Excel Realty Partners, Ltd.	37,987,481	7	0.81%	33,002,971	3	1.24%
KIR Montebello LP	35,885,393	8	0.77%	-		0.00%
Amcors Pet Packaging USA	35,677,444	9	0.76%	-		0.00%
Macy's California Inc.	35,306,494	10	0.75%	-		0.00%
	<u>\$ 647,579,101</u>		<u>13.83%</u>	<u>\$ 87,508,275</u>		<u>3.29%</u>

Sources: HdL Coren Crone
 Los Angeles County Assessor and Auditor Combined
 California Municipal Statistics, Inc.

CITY OF MONTEBELLO

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2001-02	\$ 6,478,670	\$ 5,915,031	91.30%	\$ 179,108	\$ 6,094,139	94.06%
2002-03	7,027,324	6,547,321	93.17%	98,462	6,645,783	94.57%
2003-04	7,339,427	6,893,691	93.93%	40,536	6,934,227	94.48%
2004-05	7,725,000	7,287,361	94.33%	137,839	7,425,200	96.12%
2005-06	7,950,087	8,053,932	101.31%	368,207	8,422,139	105.94%
2006-07	8,360,000	8,945,848	107.01%	(1)	8,945,847	107.01%
2007-08	9,265,000	9,041,649	97.59%	504,542	9,546,191	103.03%
2008-09	9,799,000	9,143,220	93.31%	560,692	9,755,612	99.56%
2009-10	10,416,000	8,995,261	86.36%	552,048	9,863,952	90.92%
2010-11	10,095,367	9,721,838	96.30%			

Note (1) Negative number not included

Source: City Finance Department

CITY OF MONTEBELLO

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Total Debt Per Capita
	Certificates of Participation	Tax Allocation Bonds	Revenue	Other		
2001-02	\$ 28,807,760	\$ 67,052,635	\$ 15,830,000	\$ 2,119,139	\$ 113,809,534	\$ 1,750.92
2002-03	27,907,040	65,985,987	15,830,000	2,538,447	112,261,474	1,737.34
2003-04	26,972,500	64,736,819	15,490,000	2,792,949	109,992,268	1,685.73
2004-05	25,996,500	63,394,889	17,060,000	4,237,434	110,688,823	1,685.48
2005-06	24,977,860	61,956,272	16,785,000	10,327,648	114,046,780	1,740.96
2006-07	23,921,580	60,887,078	16,565,000	9,374,503	110,748,161	1,695.52
2007-08	22,817,660	65,708,636	16,400,000	9,313,087	114,239,383	1,750.77
2008-09	21,671,100	74,057,213	16,170,000	15,534,163	127,432,476	1,940.59
2009-10	25,450,000	71,779,239	15,895,000	15,273,662	123,415,981	1,886.40
2010-11	19,213,600	64,603,222	15,575,000	17,190,970	116,582,792	1,772.29

Source: City Financial Statements

CITY OF MONTEBELLO

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years (In thousands, except Per Capita)

Fiscal Year	Outstanding General Bonded Debt				Percent of Assessed Value (1)	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Revenue	Total		
2001-02	\$ 28,808	\$ 67,053	\$ 15,830	\$ 111,691	3.80%	\$ 1,718
2002-03	27,907	65,986	15,830	109,723	3.43%	1,698
2003-04	26,973	64,737	15,490	107,200	3.23%	1,643
2004-05	25,997	63,395	17,060	106,452	3.08%	1,621
2005-06	24,978	61,956	16,785	103,719	2.80%	1,583
2006-07	23,922	60,887	16,565	101,374	2.50%	1,552
2007-08	22,818	65,709	16,400	104,927	2.38%	1,608
2008-09	21,671	74,057	16,170	111,898	2.39%	1,704
2009-10	25,450	71,779	15,895	113,124	2.30%	1,653
2010-11	19,213	64,603	15,575	99,391	2.15%	1,511

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City Finance Department

CITY OF MONTEBELLO

Direct and Overlapping Debt

June 30, 2011

City Assessed Valuation	\$ 4,667,601,014
Redevelopment Agency Incremental Valuation	<u>(1,509,312,020)</u>
Total Assessed Valuation	<u><u>\$ 3,158,288,994</u></u>

	Percentage Applicable (1)	Total Outstanding Debt 6/30/11	City's Share of Overlapping Debt 6/30/11
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
Los Angeles County Flood Control District	0.349%	\$ 53,795,000	\$ 187,745
Metropolitan Water District	0.177%	227,670,000	402,976
Los Angeles Community College District	0.611%	3,536,745,000	21,609,512
Rio Hondo Community College District	0.001%	176,583,829	1,766
El Rancho Unified School District	0.004%	57,019,321	2,281
Los Angeles Unified School District	0.001%	11,596,250,000	115,963
Montebello Unified School District	36.222%	150,121,651	54,377,064
Los Angeles County Regional Park and Open Space Assessment District	0.346%	197,285,000	<u>682,606</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>\$ 77,379,913</u></u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligation	0.346%	1,496,977,755	5,179,543
Los Angeles County Superintendent of Schools Certificates of Participation	0.346%	12,204,890	42,229
Los Angeles County Sanitation District No. 2 Authority	8.075%	33,034,224	2,667,514
Los Angeles County Sanitation District No. 15 Authority	0.420%	33,814,560	142,021
Los Angeles Unified School District Certificates of Participation	0.001%	492,042,567	4,920
Montebello Unified School District Certificates of Participation	36.222%	13,445,000	4,870,048
City of Montebello General Fund Obligation	100.000%	39,590,000	<u>39,590,000</u>
			52,496,275
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Less: Los Angeles Unified School District Qualified Zone Academic Bonds supported by building fund			(330)
Los Angeles County General Fund Obligations supported by landfill revenues			(61,610)
City of Montebello Obligations supported from surplus tax increment and golf and hotel revenues			<u>(20,330,890)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			<u><u>\$ 32,103,445</u></u>
GROSS COMBINED TOTAL DEBT			<u><u>\$ 129,876,188</u></u>
NET COMBINED TOTAL DEBT			<u><u>\$ 109,483,358</u></u>

Sources: HdL Coren & Cone

Los Angeles County Assessor and Auditor Combined

CITY OF MONTEBELLO

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
Assessed valuation	\$ 11,756,735,572	\$ 12,813,583,420	\$ 13,291,191,988	\$ 13,815,823,508	\$ 14,836,885,928
Conversion percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	2,939,183,893	3,203,395,855	3,322,797,997	3,453,955,877	3,709,221,482
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	440,877,584	480,509,378	498,419,700	518,093,382	556,383,222
Legal debt margin	\$ 440,877,584	\$ 480,509,378	\$ 498,419,700	\$ 518,093,382	\$ 556,383,222
	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Assessed valuation	\$ 16,194,120,900	\$ 17,629,172,176	\$ 18,861,572,384	\$ 18,808,841,532	\$ 19,358,675,984
Conversion percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	4,048,530,225	4,407,293,044	4,715,393,096	4,702,210,383	4,839,668,996
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	607,279,534	661,093,957	707,308,964	705,331,557	725,950,349
Legal debt margin	\$ 607,279,534	\$ 661,093,957	\$ 707,308,964	\$ 705,331,557	\$ 725,950,349

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed. However, this provision was enacted when assessed valuation was based upon 25% of market valuation. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City Finance Department

CITY OF MONTEBELLO

Pledged-Revenue Bond Coverage

Last Ten Fiscal Years (In thousands)

Fiscal Year	Golf Revenue Bonds						
	Gross Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2001-02	\$ 3,241,173	\$ (2,531,366)	\$ 709,807	\$ 107,760	\$ 312,346	\$ 420,106	168.96%
2002-03	3,223,541	(2,239,324)	984,217	129,280	321,293	450,573	218.44%
2003-04	3,302,588	(2,377,660)	924,928	130,460	257,203	387,663	238.59%
2004-05	3,150,664	(2,274,201)	876,463	139,000	276,272	415,272	211.06%
2005-06	3,399,967	(2,410,559)	989,408	146,360	293,190	439,550	225.10%
2006-07	3,457,820	(2,676,606)	781,214	148,720	306,999	455,719	171.42%
2007-08	3,216,356	(2,419,360)	796,996	156,080	286,019	442,099	180.28%
2008-09	2,823,898	(3,163,896)	(339,998)	163,440	240,310	403,750	-84.21%
2009-10	2,538,595	(2,842,743)	(304,148)	171,980	218,711	390,691	-77.85%
2010-11	2,633,844	(2,826,967)	(193,123)	180,520	201,173	381,693	-50.60%

Source: City Finance Department

CITY OF MONTEBELLO

Demographic and Economic Statistics

Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in millions)</u>	<u>Capita Personal Income</u>	<u>Unemployment Rate</u>
2001-02	62,890	\$ 962	\$ 15,311	6.40%
2002-03	63,692	978	15,357	7.60%
2003-04	64,565	1,011	15,660	7.80%
2004-05	65,022	1,059	16,291	7.30%
2005-06	65,206	1,102	16,900	6.00%
2006-07	65,174	1,160	17,805	5.40%
2007-08	65,053	1,197	18,407	5.70%
2008-09	65,187	1,209	18,546	8.40%
2009-10	65,424	1,185	18,110	12.90%
2010-11	65,781	1,185	19,187	14.10%

Source: Population: California Department of Finance

Unemployment Data: California Employment Development Department

CITY OF MONTEBELLO

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

<u>Employer</u>	<u>2010-11</u>		<u>2001-02</u>	
	<u>Employees</u>	<u>Percent of Total Employment *</u>	<u>Employees</u>	<u>Percent of Total Employment *</u>
Bimbo Company	715	0.0171%	840	N/A
Minson Corporation	620	0.0147%	680	N/A
Royal Paper Box Company	155	0.0038%	176	N/A
Mtb School District	3,500	0.0819%	1,430	N/A
City of Montebello	584	0.0138%	432	N/A
Montebello Town Center	1,902	0.0444%	1,992	N/A
Kaiser	3,140	0.0730%	N/A	N/A
Beverly Hospital	912	0.0211%	950	N/A
Monarch Litho	242	0.0059%	N/A	N/A
Price/Costco	292	0.0066%	200	N/A
Total Top Ten	<u>12,062</u>	<u>0.2823%</u>	<u>6,700</u>	N/A
Total Employment *	<u>4,271,900</u>			

* "Total Employment" as used above represents the total employment of Los Angeles County.

Source: U.S. Department of Labor-Bureau of Labor Statistics
City of Montebello

CITY OF MONTEBELLO

Full-Time and Part-time City Employees by Function

Last Eight Fiscal Years

Function	Fiscal Year				
	2003-04	2004-05	2005-06	2006-07	2007-08
General Government	37	41	38	28	33
Public Safety	229	199	202	180	201
Public Works	54	37	31	14	15
Parks and Recreation	82	61	60	119	138
Economic Development	20	17	14	17	7
Transit	222	247	250	236	254
Totals	644	602	595	594	648

Function	Fiscal Year		
	2008-09	2009-10	2010-11
General Government	53	42	43
Public Safety	197	182	182
Public Works	15	12	12
Parks and Recreation	115	123	123
Economic Development	6	7	7
Transit	215	217	217
Totals	601	583	584

The City of Montebello has elected to show only eight years of data for this schedule. Information prior to the 2002-03 fiscal year is not available.

Source: City Finance Department

CITY OF MONTEBELLO

Operating Indicators by Function

Last Ten Calendar Years

Function	Calendar Year				
	2002	2003	2004	2005	2006
Police:					As of Sept.
Arrests	2,493	2,859	3,061	2,985	1,974
Traffic violations	19,242	18,935	18,604	18,675	13,569
Parking violations	12,544	12,157	13,488	13,965	10,402
Fire:					As of Dec. 1
Number of calls answered	4,378	4,465	4,726	4,981	4,570
Inspections conducted	1,186	2,451	2,643	1,834	1,155
Public Works:					
Street resurfacing (miles)	3.51	2.01	0.90	3.36	3.43
Sidewalk repairs (sq ft)	N/A	N/A	N/A	N/A	N/A
Potholes repaired	N/A	N/A	N/A	N/A	N/A
Storm drains cleaned	N/A	N/A	N/A	N/A	N/A
Parks and Recreation:					
Number of recreation classes	N/A	N/A	122	196	214
Number of facility rentals	N/A	N/A	200	196	202

Source: City Finance Department

Calendar Year				
2007	2008	2009	2010	2011
As of June	As of June		As of June	
1,205	2,630	2,598	2,702	2,621
11,095	5,139	4,900	6,862	2,467
8,281	16,319	20,018	19,413	22,661
As of Sept. 27	As of Dec. 19			
3,682	4,610	4,165	5,037	4,891
875	1,560	1,616	1,320	1,160
1.60	1.10	4.20	14.16	15.15
N/A	N/A	N/A	31,930	32,281
N/A	N/A	N/A	N/A	5,352
N/A	N/A	N/A	N/A	1,702
139	290	167	68	190
As of Oct.	As of June			
278	46	44	2,660	854

CITY OF MONTEBELLO

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	2001-02	2002-03	2003-04	2004-05	2005-06
Police:					
Police Stations	1	1	1	1	1
Fire:					
Fire Stations	3	3	3	3	3
Public Works:					
Street (miles)	125	125	125	125	125
Street Lights	3,682	3,682	3,682	3,682	3,682
Traffic Signals	79	79	79	79	79
Parks and Recreation:					
Parks	7	7	7	7	7
Community Centers	-	-	-	-	-

Source: HdL Coren Cone

Los Angeles County Assessor Auditor Combined

Fiscal Year				
<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
1	1	1	1	1
3	3	3	3	3
125	125	125	125	125
3,682	3,682	3,682	3,682	3,682
80	80	80	81	81
7	7	7	7	7
-	-	-	-	-