



*City of Montebello, California*

# **Comprehensive Annual Financial Report**

*Fiscal Year Ended June 30, 2012*



# **CAFR**



**Comprehensive Annual Financial Report**  
**City of Montebello, California**  
***Year ended June 30, 2012***  
***with Report of Independent Auditors***



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## **INTRODUCTORY SECTION**

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March 28, 2013

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

The Comprehensive Annual Financial Report (CAFR) of the City of Montebello for the fiscal year ended June 30, 2012 is submitted as prepared by the City's Finance Department. The report is published to provide the public, the City Council, and the investment community, detailed information about the financial position 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 auditor's, Vazquez & Company LLP, opinion letter, the general purpose financial statements, and the relevant supplemental financial statements and schedules for Fiscal Year (FY) 2011-12. 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 aspects 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's 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 serves 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.

The FY 2011-2012 assessed valuation of \$4.6 billion represents a decrease of 1.9 percent over last year. Increases during the past five years have averaged 3.8 percent. The Consumer Price Index for the Los Angeles-Riverside-Orange County area increased 1.6 percent over 2010-11. Sales tax revenue of \$10.8 million for FY 2011-12 reflects an increase of 3.8 percent when compared to FY 2010-11.

Sales tax is a major revenue source for the City and is broad based with a major shopping mall anchored by major stores such as Macy's and JC Penney, and another shopping center anchored by Sear's and Costco as well as a large petroleum company, a major paper products distributor and two auto dealerships. While Sales tax provides a solid revenue source, the economic downturn over the past four years has had an impact on the amount of Sales tax revenue collected by the City.

### **Recent Changes in Legislation Affecting California Redevelopment Agencies**

On June 28, 2011, the Governor of the State of California signed Assembly Bills x1 26 ("ABx1 26") and ABx1 27 as part of the State's budget package. ABx1 26 immediately suspended all redevelopment activities, except the implementation and performance of existing obligations, and called for the expeditious "wind down" and dissolution of redevelopment agencies. ABx1 27 provided an alternative "opt in" program, under which redevelopment agencies could continue to exist provided they agreed to remit a portion of their property tax revenues to the state.

On December 29, 2011, the California Supreme Court issued its ruling in *California Redevelopment Agency v. Matosantos*, a lawsuit challenging the constitutionality of both ABx1 26 and ABx1 27. The Court upheld ABx1 26 in its entirety, but invalidated ABx1 27. The result was the dissolution of all redevelopment agencies in the state effective February 1, 2012, in accordance with ABx1 26 procedures. As relevant here, ABx1 26 created a "successor agency," a role the City has elected to serve ("Successor Agency"), that is responsible for winding down the affairs of the Agency in accordance with and subject to the direction of the Successor Agency's "oversight board," a review board with authority to oversee actions of the Successor Agency ("Oversight Board"). In addition, the "housing functions" of the former Agency were passed to the control of a "Housing Successor Agency," a role which the City also elected to satisfy.

ABx1 26 (as subsequently amended in June 2012 by AB 1484, the "Dissolution Act") requires the Successor Agency to prepare a "Recognized Obligation Payment Schedule" ("ROPS") for

each six month fiscal period, and to submit each ROPS to the Oversight Board for approval. The ROPS is required to list all payments due on "enforceable obligations," as that term is defined by the Dissolution Act, during each ROPS period. Upon Oversight Board approval, each ROPS must be forwarded to the Department of Finance, the Los Angeles County Auditor Controller, and the State Controller's Office for review and/or final approval. The Dissolution Act prohibits the Successor Agency from transferring any assets or funds of the former Agency to any third-party except in accordance with an enforceable obligation included in the ROPS. Any transfers made in violation of this mandate must be returned to the Successor Agency. All Agency contracts and/or obligations not qualifying as an enforceable obligation were deemed extinguished by the Dissolution Act.

### **THE FINANCIAL REPORTING ENTITY**

This report includes all funds of the City.

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 operates several enterprise funds which include a municipal golf course, a transportation system, a detention facility, water services in certain areas of the City, and the Hilton Garden Hotel. Enterprise funds are financed from user fees and subsidies from other governmental agencies.

### **ACCOUNTING SYSTEM**

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

In reviewing and developing 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 recognizes 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 judgment 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 insure compliance with the City's budget policy

approved by the City Council. Appropriations 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 as actual expenditures are compared to the appropriations. As purchase orders are approved, appropriations are encumbered. Encumbrances and expenditures, which would cause an overrun of appropriations, require an approved budget transfer, which is reviewed and approved by the Director of Finance, pursuant to the City's administrative policy and the Municipal Code of the City. 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 is covered under the Public Employees Retirement System (PERS), which is administered by the State. The City's share of contributions to the pension plans for all employees are covered by a voter approved levy.

### **DEBT ADMINISTRATION**

At June 30, 2012, the City had general long-term debt amounting to \$52.3 million, which is detailed in the Notes to the Financial Statements. This includes \$23.0 million for Certificates of Participation, \$14.9 million for Revenue Bonds, and \$14.4 million for long-term notes payable and the noncurrent portion of accumulated vacation and sick leave. The City has no general obligation debt.

### **CASH AND INVESTMENT MANAGEMENT**

The City has an investment policy, and has an Investment Committee with members appointed by the City Council. The City Treasurer and the Director of Finance also participate in the Investment Committee. The Investment Committee oversees the City's Investment objectives in order of safety, liquidity, and yield pursuant to the investment policy, in conjunction with the City Treasurer and Director of Finance.

The City invests its pooled funds and Successor Agency funds, except for bond funds debt service reserves and deferred employee compensation, which are maintained by appointed fiscal agents. The fiscal agents direct 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 review the self-insurance program on an annual base. 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 auditor's 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.

The Comprehensive Annual Financial Report (CAFR) is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's Organization Chart and a list of principal officials. The financial section includes the auditor's report, general purpose financial statements, and the combining individual financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

During the fiscal year ended June 30, 2012, 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 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 dedicated services of the entire Finance Department staff. We also acknowledge the work and efforts by the audit team of Vazquez & Company LLP, in completing the CAFR.

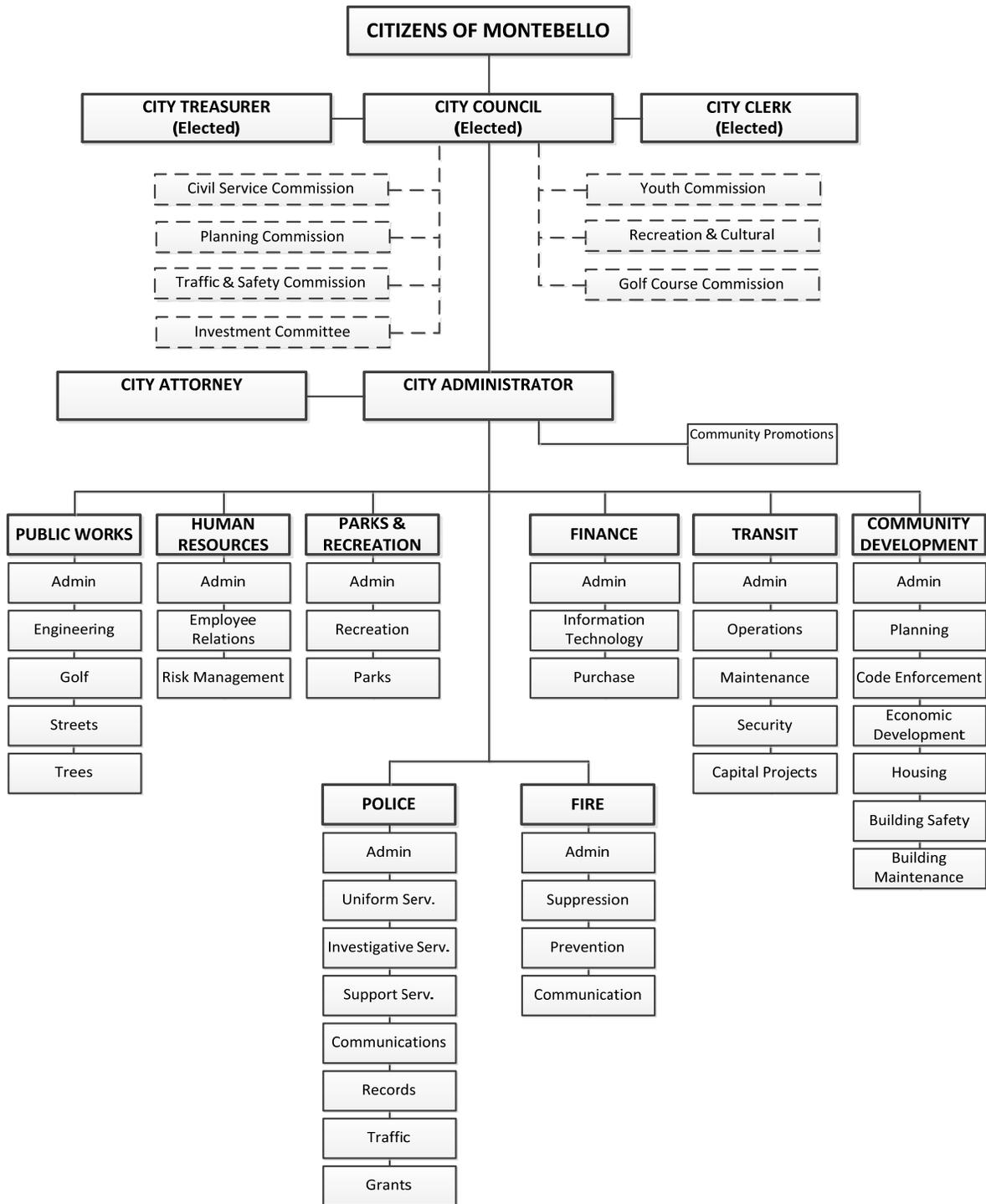
We thank the Mayor, members of the City Council, the Executive Management Team and staff for their interest and support of the financial operations of the City, in a responsible and progressive manner, for the best interest of the citizens of Montebello.

Respectfully submitted,

*Francesca Tucker-Schuyler*  
City Administrator  
Interim Director of Finance



# City of Montebello - Organization Chart



# Directory of City Officials

## City Council

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

## Elected Officials

City Treasurer  
City Clerk

Sheralyn Khwaja  
Daniel Hernandez

## Principal Administrative Officers

City Administrator /Interim Finance Director  
Police Chief  
Fire Chief  
Director of Planning/Community Development  
Director of Transportation  
Director of Personnel and Risk Management  
Assistant Director of Parks and Recreation

Francesca Schuyler  
Kevin McClure  
Tim Wessel  
Mike Huntley  
Aurora Jackson  
Paul Loehr  
Martha Balderrama

**FINANCIAL SECTION**

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## REPORT OF INDEPENDENT AUDITORS

### **The Honorable Mayor and the Members of the City Council City of 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 (the City), as of and for the year ended June 30, 2012, 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 statements 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 of Montebello, California, as of June 30, 2012, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, the Montebello Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 result 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montebello, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the budgetary schedules 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 financial statements as a whole. The introductory and statistical sections 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.

*Virguly + Company LLP*

**Los Angeles, California**  
**March 28, 2013**

This is management's discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and 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.

### **Financial Highlights**

- The assets of the City exceeded its liabilities, at June 30, 2012, by \$110.5 million (net assets) and the government's total net assets increased by \$30.1 million during the fiscal year ended June 30, 2012.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$37.2 million, a decrease of \$20.3 million in comparison with the prior year.
- At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$7.2 million.
- The City's total long-term liabilities decreased by \$70.2 million during the current fiscal year.
- As a result of Assembly Bills X126 and 1484, the City's Redevelopment Agency was dissolved on February 1, 2012. All former Redevelopment assets and liabilities were transferred to the Successor Agency and are reported in the Fiduciary Fund.

### **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 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, 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. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. 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 can be found immediately following this discussion and analysis.

## **Fund financial statements**

The Fund Financial Statements include statements for three categories of activities –Governmental Funds, Proprietary Funds and Fiduciary Funds. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

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.

**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.

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 Special Revenue, Retirement Fund and, the Capital Improvements 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. As a result of Assembly Bills X1 26 and 1484, Redevelopment Agency assets and liabilities are no longer a part of the Major Government Funds for the City and are now reported in the Fiduciary Fund section of the financial statements.

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.

- **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 statements 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 and beginning this year include the assets and liabilities of the City's former Redevelopment Agency, transferred into the Successor Agency Fiduciary Fund.

#### **Notes to financial statements**

The notes to 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 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.

**Government-wide Financial Analysis**

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

The largest portion of the City's net assets of \$110 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  
 Summary of Net Assets  
 June 30  
 (In thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 50,419	\$ 84,862	\$ 3,652	\$ 2,262	\$ 54,071	\$ 87,124
Capital assets	78,113	94,227	55,758	55,105	133,871	149,332
Total assets	<u>128,532</u>	<u>179,089</u>	<u>59,411</u>	<u>57,367</u>	<u>187,943</u>	<u>236,456</u>
<b>Liabilities:</b>						
Long-term liabilities	46,373	116,749	5,947	5,751	52,320	122,500
Other liabilities	16,260	26,412	8,868	7,198	25,128	33,610
Total liabilities	<u>62,633</u>	<u>143,161</u>	<u>14,815</u>	<u>12,949</u>	<u>77,448</u>	<u>156,110</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	53,911	50,421	55,557	50,305	109,468	100,726
Restricted for:	27,662	26,539	302	-	27,964	26,539
Unrestricted	(15,675)	(41,032)	(11,263)	(5,887)	(26,938)	(46,919)
Total net assets	<u>\$ 65,899</u>	<u>\$ 35,928</u>	<u>\$ 44,596</u>	<u>\$ 44,418</u>	<u>\$ 110,495</u>	<u>\$ 80,346</u>

Net assets of the City increased by 37.5% from \$80.3 million last year to \$110.5 million this year, of which \$109.5 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. The increase was primarily because of the transfer of net liabilities of the former redevelopment agency to the Successor Agency.

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2012**

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 10,096	\$ 12,256	\$ 14,168	\$ 14,517	\$ 24,264	\$ 26,773
Operating grants and contributions	7,155	8,283	16,868	16,399	24,023	24,682
Capital grants and contributions	-	-	5,024	3,227	5,024	3,227
General revenues:						
Sales taxes	10,847	10,446	-	-	10,847	10,446
Property taxes	20,246	26,319	-	-	20,246	26,319
Other taxes	6,675	6,860	-	-	6,675	6,860
Other revenues	2,416	2,078	-	-	2,416	2,078
Investment earnings	73	260	-	11	73	271
Total revenues	57,508	66,502	36,061	34,154	93,569	100,656
<b>Expenses</b>						
General government	6,625	6,003	-	-	6,625	6,003
Public safety	29,927	30,196	-	-	29,927	30,196
Public works	5,872	5,916	-	-	5,872	5,916
Parks, culture, and recreation	5,092	4,956	-	-	5,092	4,956
Housing and community development	4,587	11,812	-	-	4,587	11,812
Transit	-	-	27,865	23,653	27,865	23,653
Golf course	-	-	2,595	3,029	2,595	3,029
Montebello Hilton	-	-	3,444	3,483	3,444	3,483
Water utility	-	-	1,689	1,675	1,689	1,675
Detention facility	-	-	454	459	454	459
Interest on long-term debt	3,329	5,143	-	-	3,329	5,143
Unallocated infrastructure depreciation	705	705	-	-	705	705
Total expenses	56,138	64,731	36,047	32,299	92,185	97,030
Change in net assets before transfers	1,370	1,771	13	1,855	1,383	3,626
Transfers	(164)	5,143	164	(4,022)	-	1,121
Change in net assets after transfers and before extraordinary items	1,206	6,914	178	(2,167)	1,383	4,747
Extraordinary item	28,765	-	-	-	28,765	-
Change in net assets after extraordinary item	29,971	6,914	178	(2,167)	30,149	4,747
Net assets - beginning of year	35,928	29,014	44,418	46,585	80,346	75,599
Net assets - end of year	\$ 65,899	\$ 35,928	\$ 44,596	\$ 44,418	\$ 110,495	\$ 80,346

The following items impacted citywide revenues for the fiscal year ended June 30, 2012:

- Program revenues include charges for services, operating and capital grants and contributions, which accounted for revenues to Business-type activities.
- The largest General Revenue, Property Taxes, accounted for 35.2% of total governmental revenues. Sales tax accounted for 18.9% of total governmental revenues.

Overall, expenditure decreases were the result of cost cutting measures instituted by the City, as well as the reduced expenses as a result of the dissolution of the City's Redevelopment Agency.

Public Works expenditures were 6.4% of total citywide expenditures. Public Safety accounted for 32.5% of total citywide expenditures, while Transit was 30.2% of total citywide expenses.

### **Governmental Activities**

Governmental activities before extraordinary item increased the City's net assets by \$1.2 million. Key factors of this change in governmental activities include the following based on the government-wide statement of activities.

- Property tax revenues decreased approximately \$6.1 million or 23% from 2011. This was as a result of the reduction in the City's Redevelopment Agency share of its property tax increment due to its dissolution effective February 1, 2012.
- Sales taxes increased \$401 thousand or 4% as economic conditions improved from the last fiscal year.
- Governmental activities expenses decreased approximately \$8.6 million or 13.3% from 2011 due to the dissolution of the City's Redevelopment Agency. Housing and Community Development expenditures during 2012 decreased approximately \$7.2 million as a result of the dissolution while some of these costs were absorbed in the general government.

### **Business-type Activities**

Business-type activities increased the City of Montebello's net assets by \$178 thousand as compared to the decrease of \$2.2 million in fiscal year ended June 30, 2011. The City's Transit System is the largest business-type operation, followed by the Montebello Hilton Hotel and the Golf Course.

Approximately 22.5% of Transit financing for operations is generated from bus fares and special contracts, while the remaining 77.5% comes from State and Federal subsidies. Total fiscal year operating revenues decreased \$3 thousand or 0.01% from last year as ridership remained virtually unchanged from a year ago while operating expenses increased \$4.2 million or 17.8% over last year.

The net assets of the Golf Course Fund decreased by \$274 thousand for fiscal year ended June 30, 2012 which is an overall improvement over prior year. Net cash provided by operating activities increased in fiscal year 2012 by \$175 thousand. As interest rates remain low, the corresponding interest on the Golf Funds Variable Rate Debt Service remains low and generated \$173 thousand of reduction in Interest Expense.

The Montebello Hilton reflected net income before transfers of capital for debt service of \$681 thousand for fiscal year 2012 compared to \$544 thousand for the same period last year. Operating revenues increased by \$97 thousand over 2011 which was the primary reason for the increase in net income before transfers of capital and debt service. Operating Expenses decreased by approximately \$59 thousand over the same period last year.

### **Financial Analysis of the Governmental Funds**

*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, unassigned 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 \$37.2 million, a decrease of \$20.3 million as compared with the prior fiscal year. The reduction is primarily due to the dissolution of the City's Redevelopment Agency, and its assets therein were transferred to the Successor Agency as per Assembly Bills x1 26 and 1484. All governmental fund balances are either nonspendable, restricted, assigned, or unassigned pursuant to GASB 54. Nonspendable indicates they are fund balances tied to inventories, notes receivable and property held for sale. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. These restrictions of fund balance are to indicate that portions of fund balance are not available for new spending, because they have already been committed to: 1) liquidate contracts and purchase orders of the prior period, 2) pay debt service, 3) be retained as reserves for long-term notes receivable, 4) advances to other funds, or 5) for a variety of other restricted purposes. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

The General Fund is the City's main operating fund. In fiscal year 2011-2012, the General Fund ended the year with a surplus of \$2.2 million compared to a surplus of \$11.7 million in fiscal year 2010-2011. In 2011, the surplus was due to the restructuring of the 2000 COP agreement with the RDA to prepay its obligations under a reimbursement agreement, in the amount of \$13.5 million. During the fiscal year 2011-2012, the City issued a Tax Revenue Allocation Note (TRAN) in the amount of \$2.5 million that was secured to cover possible cash deficiencies in the General Fund which was subsequently repaid within the fiscal year. Operating revenues slightly increased by \$269 thousand, or 0.8% from last year. The transactions related to the TRAN are reflected in Other Financing Sources and Operating Expenditures to reflect the infusion and repayment of the short-term funding.

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2012**

City of Montebello  
 General Fund  
 As of June 30  
 (In thousands)

	2012	2011	Change	
			Amount	%
Operating revenues	\$ 33,716	\$ 33,447	\$ 269	1%
Operating expenditures	44,431	41,947	2,484	6%
Excess of revenues over (under) expenditures	(10,715)	(8,500)	(2,215)	26%
Net operating transfers	10,394	6,671	3,723	56%
Other financing sources	2,500	13,487	(10,987)	-81%
Surplus	2,179	11,658	(9,479)	-81%
Beginning fund balance	4,976	(6,682)	11,658	-174%
Ending fund balance	\$ 7,155	\$ 4,976	\$ 2,179	44%

The Retirement Fund is reserved for the payment of retirement expenses for the employees of the City. The increase in the fund balance over the prior fiscal year of \$2.1 million is due to the dissolution of the Montebello Redevelopment Agency (RDA). The retirement portion of the property tax revenue that was formerly received by the Agency is received by the City as a result of the dissolution.

The Capital Improvements Fund ended up with a fund balance of \$88 thousand at June 30, 2012. During the fiscal year, \$331 thousand of capital expenses were incurred in the Capital Project Fund.

The Redevelopment Agency's Debt Service and Capital Projects Improvement Funds were dissolved as of February 1, 2012. All assets and liabilities were transferred to the Successor Agency's Fiduciary fund at February 1, 2012.

**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 \$21.5 million. This operating loss was offset by nonoperating revenues and capital contributions, and transfers of \$22.9 million, resulting in a change in net assets of \$1.4 million.

The Municipal Golf Course incurred an operating loss of \$245 thousand on revenues of \$2.3 million and operating expenses of \$2.5 million. The operation expenses include depreciation expense of \$349 thousand. Net cash provided from operations of the Golf Course Facilities was \$175 thousand for the fiscal year.

The Montebello Hilton reflected operating income of \$849 thousand; \$1.3 million of nonoperating expenses and transfers represent primarily transfers of capital from its hotel operations into various funds held by the hotel's fiscal agent for payments to the equipment replacement fund and revenue fund. Annual debt service payments related to the hotel is paid from the revenue fund held by the fiscal agent.

**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, 2012 amounted to \$134.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, 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 10.4%.

The decrease is primarily due to the dissolution of the Redevelopment Agency and transfer of its assets into the City's Successor Agency fund at February 1, 2012 pursuant to the provisions in Assembly Bills x1 26 and 1484.

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.

City of Montebello  
 Summary of Capital Assets, Net of Depreciation  
 As of June 30  
 (In thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,054	\$ 8,666	\$ 6,307	\$ 6,306	\$ 8,360	\$ 14,972
Rights of way	14,392	14,392	-	-	14,392	14,392
Buildings and improvements	34,167	41,864	16,732	15,290	50,900	57,154
Machinery and equipment	7,405	9,600	32,608	33,398	40,013	42,998
Construction in progress	1,095	-	111	111	1,206	111
Infrastructure	19,000	19,705	-	-	19,000	19,705
	<u>\$ 78,113</u>	<u>\$ 94,227</u>	<u>\$ 55,758</u>	<u>\$ 55,105</u>	<u>\$ 133,871</u>	<u>\$ 149,332</u>

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;

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2012**

- Buildings, including buildings, building remodels, building lighting systems, building equipment, and building roofs; and
- Parks, including associated structures and infrastructure assets.

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

- Building and Improvement additions and renovations totaled approximately \$3.4 million
- Machinery, Equipment, and Automotive Equipment additions totaled approximately \$2.8 million.

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

**Long-term Debt**

At the end of fiscal year 2011-2012, the City had total debt outstanding of \$52.3 million. The debt pledged by tax revenues was eliminated due to the dissolution of the RDA and its outstanding balance was transferred on February 1, 2012 to the City's Successor Agency. The outstanding debt includes \$23.0 million of debt backed by certificates of participation, \$14.9 million relates to revenue bonds. \$14.4 million relates to postemployment debt obligations, notes payable and compensated leave. Outstanding debt is summarized below.

City of Montebello  
 Summary of Long-term Debt  
 As of June 30  
 (In thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Tax allocation bonds	\$ -	\$ 64,603	\$ -	\$ -	\$ -	\$ 64,603
Certificates of participation	18,351	19,214	4,609	4,801	22,960	24,015
Revenue bonds, net	14,887	14,875	-	-	14,887	14,875
Other postemployment benefit obligation	4,442	3,574	-	-	4,442	3,574
Note payable	5,901	11,472	-	-	5,901	11,472
Compensated absences	2,792	3,011	1,338	950	4,130	3,961
Sub total	46,373	116,749	5,947	5,751	52,320	122,500
Less current portion	3,101	7,068	1,251	954	4,352	8,022
Noncurrent portion	\$ 43,272	\$ 109,681	\$ 4,696	\$ 4,797	\$ 47,968	\$ 114,478

Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements section of this report.

### **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.
- 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, as well as the implementation of the Affordable Health Care Act of 2010.

### **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 26) and Assembly Bill x1 27 (AB 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 26, the bill that dissolves all redevelopment agencies. However it found that AB 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 were required to dissolve as of February 1, 2012 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 government 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 26 as modified by the ruling.

On January 11, 2012, the Montebello City Council, by vote, agreed to become the Successor Agency to the City of Montebello Redevelopment Agency, as well as exercised its option under the ruling to retain the redevelopment 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 Community Redevelopment Agency was dissolved.

As part of this dissolution, assets were transferred to the Successor Agency. The redevelopment agency was required to prepare the Recognized Obligation Payment Schedule (ROPS) on January 30, 2012 for the period February 1, 2012 through June 30, 2012 and a second ROPS for the period July 1, 2012 through December 31, 2012. These ROPS were submitted to the Oversight Board in May 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 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 Finance Department, 1600 W. Beverly Blvd., Montebello, CA 90640.

**City of Montebello**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 24,156,966	\$ 1,566,693	\$ 25,723,659
Cash and investments with fiscal agent	7,056,243	302,086	7,358,329
Receivables			
Accounts	2,749,570	2,379,058	5,128,628
Property tax	394,527	-	394,527
Notes	2,270,100	-	2,270,100
Property held for resale	2,288,058	-	2,288,058
Inventory	176,307	918,437	1,094,744
Prepaid items and deposits	3,022	37,409	40,431
Bond issuance costs	346,658	-	346,658
Due from successor agency trust fund	9,426,362	-	9,426,362
Internal balances	1,551,260	(1,551,260)	-
Capital assets, not being depreciated	17,540,284	6,417,968	23,958,252
Capital assets, being depreciated	60,572,697	49,340,254	109,912,951
<b>Total assets</b>	<u>128,532,054</u>	<u>59,410,645</u>	<u>187,942,699</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,474,885	7,480,460	9,955,345
Interest payable	150,130	1,176,159	1,326,289
Deposits payable	31,059	39,839	70,898
Unearned revenue	2,244,706	171,708	2,416,414
Claims payable	11,359,481	-	11,359,481
Noncurrent liabilities:			
Due within one year	3,101,126	1,251,162	4,352,288
Due in more than one year	43,271,663	4,695,605	47,967,268
<b>Total liabilities</b>	<u>62,633,050</u>	<u>14,814,933</u>	<u>77,447,983</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	53,911,210	55,556,802	109,468,012
Restricted for:			
Community development	21,743,525	-	21,743,525
Debt service	5,918,851	302,086	6,220,937
Unrestricted	(15,674,582)	(11,263,176)	(26,937,758)
<b>Total net assets</b> \$	<u>65,899,004</u> \$	<u>44,595,712</u> \$	<u>110,494,716</u>

*See notes to financial statements.*

**City of Montebello**  
**Statement of Activities**  
**Year ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>							
General government	\$ 6,625,106	\$ 2,787,309	\$ 1,111,429	\$ -	\$ (2,726,368)	\$ -	\$ (2,726,368)
Public safety	29,927,417	1,863,933	1,303,942	-	(26,759,542)	-	(26,759,542)
Public works	5,871,891	4,812,850	3,372,867	-	2,313,826	-	2,313,826
Parks, recreation, and culture	5,092,219	631,832	1,336	-	(4,459,051)	-	(4,459,051)
Housing and community development	4,587,403	-	1,365,431	-	(3,221,972)	-	(3,221,972)
Unallocated infrastructure depreciation	704,807	-	-	-	(704,807)	-	(704,807)
Interest on long-term debt	3,329,205	-	-	-	(3,329,205)	-	(3,329,205)
<b>Total governmental activities</b>	<b>56,138,048</b>	<b>10,095,924</b>	<b>7,155,005</b>	<b>-</b>	<b>(38,887,119)</b>	<b>-</b>	<b>(38,887,119)</b>
<b>Business-type activities</b>							
Transit system	27,864,749	6,277,092	16,868,344	5,024,417	-	305,104	305,104
Golf course	2,595,321	2,321,582	-	-	-	(273,739)	(273,739)
Hilton	3,443,794	4,124,516	-	-	-	680,722	680,722
Water utility	1,689,062	1,329,410	-	-	-	(359,652)	(359,652)
Detention facility	454,418	115,453	-	-	-	(338,965)	(338,965)
<b>Total business-type activities</b>	<b>36,047,344</b>	<b>14,168,053</b>	<b>16,868,344</b>	<b>5,024,417</b>	<b>-</b>	<b>13,470</b>	<b>13,470</b>
<b>Total primary government</b>	<b>\$ 92,185,392</b>	<b>\$ 24,263,977</b>	<b>\$ 24,023,349</b>	<b>\$ 5,024,417</b>	<b>(38,887,119)</b>	<b>13,470</b>	<b>(38,873,649)</b>
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes					20,245,594	-	20,245,594
Franchise taxes					1,221,311	-	1,221,311
Sales tax					10,847,400	-	10,847,400
Transient occupancy taxes					297,679	-	297,679
Other taxes					5,156,500	-	5,156,500
Other revenues					2,415,809	-	2,415,809
Investment earnings					72,750	-	72,750
<b>Transfers</b>							
Transfers - net					(164,266)	164,266	-
<b>Total general revenues</b>					<b>40,092,777</b>	<b>164,266</b>	<b>40,257,043</b>
<b>Change in net assets before extraordinary item</b>					<b>1,205,658</b>	<b>177,736</b>	<b>1,383,394</b>
<b>Extraordinary item</b>							
RDA dissolution transactions					28,765,304	-	28,765,304
<b>Change in net assets after extraordinary item</b>					<b>29,970,962</b>	<b>177,736</b>	<b>30,148,698</b>
<b>Net assets-beginning of year</b>					<b>35,928,042</b>	<b>44,417,976</b>	<b>80,346,018</b>
<b>Net assets-ending</b>					<b>\$ 65,899,004</b>	<b>\$ 44,595,712</b>	<b>\$ 110,494,716</b>

See notes to financial statements.

**City of Montebello**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	General	Special Revenue Fund Retirement Fund	Capital Projects Fund Capital Improvement	Housing Fund	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and investments	\$ 5,189,701	\$ 2,129,332	\$ 6,353	\$ -	\$ 8,622,517	\$ 15,947,903
Cash and investments with fiscal agents	-	-	-	-	7,056,243	7,056,243
Receivables						
Accounts	2,024,903	-	-	-	724,667	2,749,570
Property tax	258,916	135,611	-	-	-	394,527
Notes	-	-	1,300,000	-	970,100	2,270,100
Due from other funds	1,230,470	-	-	-	346,449	1,576,919
Due from successor agency trust fund	392,958	-	-	8,957,808	75,596	9,426,362
Prepaid expenses	-	-	-	-	700	700
Inventory	107,756	-	-	-	-	107,756
Investment in land held for resale	-	-	247,228	2,040,830	-	2,288,058
<b>Total assets</b>	<b>\$ 9,204,704</b>	<b>\$ 2,264,943</b>	<b>\$ 1,553,581</b>	<b>\$ 10,998,638</b>	<b>\$ 17,796,272</b>	<b>\$ 41,818,138</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 2,018,588	\$ -	\$ 165,486	\$ -	\$ 169,669	\$ 2,353,743
Deposits payable	31,059	-	-	-	-	31,059
Due to other funds	-	-	-	-	18,159	18,159
Deferred revenues	-	-	1,300,000	-	944,706	2,244,706
<b>Total liabilities</b>	<b>2,049,647</b>	<b>-</b>	<b>1,465,486</b>	<b>-</b>	<b>1,132,534</b>	<b>4,647,667</b>
<b>FUND BALANCES (DEFICIT)</b>						
<b>Nonspendable</b>						
Inventory	107,756	-	-	-	-	107,756
Noncurrent notes receivable	-	-	-	-	25,394	25,394
Investment in land held for resale	-	-	247,228	2,040,830	-	2,288,058
<b>Restricted for</b>						
Debt service	-	-	-	-	5,918,851	5,918,851
Special revenue funds	-	2,264,943	-	8,957,808	9,255,278	20,478,029
Capital projects	-	-	-	-	1,464,215	1,464,215
Unassigned	7,047,301	-	(159,133)	-	-	6,888,168
<b>Total fund balances (deficit)</b>	<b>7,155,057</b>	<b>2,264,943</b>	<b>88,095</b>	<b>10,998,638</b>	<b>16,663,738</b>	<b>37,170,471</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,204,704</b>	<b>\$ 2,264,943</b>	<b>\$ 1,553,581</b>	<b>\$ 10,998,638</b>	<b>\$ 17,796,272</b>	<b>\$ 41,818,138</b>

See notes to financial statements.

**City of Montebello**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2012**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances	\$	37,170,471
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.		77,990,541
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 expenditures reported in the governmental funds and deferred in future years in the statement of net assets.		
Balances at June 30, 2012 are:		
Certificates of participation	\$	(18,351,480)
Revenue bonds		(15,210,000)
Loans payable		(5,901,106)
Compensated absences		(2,788,087)
Other post-benefit obligation		(4,441,724)
Bond issuance costs		346,658
Bond issuance discount		105,203
Deferred amount on refunding		<u>218,182</u>
		(46,022,354)
Internal service funds are used by management to charge the costs of various City activities to individual governmental and business-type 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 sheet		(3,089,524)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(150,130)</u>
Net assets of governmental activities	\$	<u>65,899,004</u>

*See notes to financial statements.*

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**City of Montebello  
Governmental Funds**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2012**

	General	Special Revenue Fund Retirement Fund	Capital Projects Fund Capital Improvement	Housing Fund	Other Governmental Funds	Total
<b>Revenues</b>						
Sales taxes	\$ 10,847,400	\$ -	\$ -	\$ -	\$ -	\$ 10,847,400
Property taxes	3,526,257	7,850,951	-	-	8,523,117	19,900,325
Other taxes	410,337	-	-	-	-	410,337
Franchise taxes	1,221,311	-	-	-	-	1,221,311
Licenses and permits	4,492,697	-	-	-	-	4,492,697
Fines and forfeitures	1,783,888	-	-	-	-	1,783,888
Investment income	1,524	3,528	1,173	-	245,103	251,328
Revenue from other agencies	5,156,500	-	58,958	-	6,851,560	12,067,018
Charges for services	5,835,846	-	-	-	-	5,835,846
Other revenue	440,537	-	-	-	508,219	948,756
<b>Total revenues</b>	<u>33,716,297</u>	<u>7,854,479</u>	<u>60,131</u>	<u>-</u>	<u>16,127,999</u>	<u>57,758,906</u>
<b>Expenditures</b>						
Current:						
General government	2,993,880	-	-	-	1,952,741	4,946,621
Public safety	27,716,112	-	-	-	-	27,716,112
Public works	5,657,797	-	-	-	-	5,657,797
Parks and recreation	4,174,814	-	-	-	-	4,174,814
Housing and community development	1,324,772	-	-	-	4,433,651	5,758,423
Sub-total	<u>41,867,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,386,392</u>	<u>48,253,767</u>
Capital outlay	-	-	331,047	-	1,003,999	1,335,046
Debt service:						
Principal retirement	2,500,000	-	-	-	3,169,120	5,669,120
Interest and fiscal charges	63,629	-	-	-	2,984,457	3,048,086
Sub-total	<u>2,563,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,153,577</u>	<u>8,717,206</u>
<b>Total expenditures</b>	<u>44,431,004</u>	<u>-</u>	<u>331,047</u>	<u>-</u>	<u>13,543,968</u>	<u>58,306,019</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(10,714,707)</u>	<u>7,854,479</u>	<u>(270,916)</u>	<u>-</u>	<u>2,584,031</u>	<u>(547,113)</u>
<b>Other financing sources (uses)</b>						
Transfers in	10,394,188	-	-	-	9,679,925	20,074,113
Transfers out	-	(5,791,854)	(2,232,839)	-	(11,368,686)	(19,393,379)
Loan proceeds	2,500,000	-	-	-	-	2,500,000
<b>Net other financing sources (uses)</b>	<u>12,894,188</u>	<u>(5,791,854)</u>	<u>(2,232,839)</u>	<u>-</u>	<u>(1,688,761)</u>	<u>3,180,734</u>
<b>Change in fund balances before extraordinary item</b>	<u>2,179,481</u>	<u>2,062,625</u>	<u>(2,503,755)</u>	<u>-</u>	<u>895,270</u>	<u>2,633,621</u>
<b>Extraordinary item</b>						
RDA dissolution transactions	-	-	-	10,998,638	(33,918,803)	(22,920,165)
<b>Change in fund balances, after extraordinary item</b>	<u>2,179,481</u>	<u>2,062,625</u>	<u>(2,503,755)</u>	<u>10,998,638</u>	<u>(33,023,533)</u>	<u>(20,286,544)</u>
<b>Fund balances, beginning of year</b>	<u>4,975,576</u>	<u>202,318</u>	<u>2,591,850</u>	<u>-</u>	<u>49,687,271</u>	<u>57,457,015</u>
<b>Fund balances, end of year</b>	<u>\$ 7,155,057</u>	<u>\$ 2,264,943</u>	<u>\$ 88,095</u>	<u>\$ 10,998,638</u>	<u>\$ 16,663,738</u>	<u>\$ 37,170,471</u>

See notes to financial statements.

**City of Montebello  
Governmental Funds**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year ended June 30, 2012**

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

Change in fund balance - governmental funds, before extraordinary item	\$	2,633,621
<p>Governmental funds report capital outlay as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Depreciation expense	\$	(4,133,187)
Capital outlay		<u>1,490,491</u>
		(2,642,696)
<p>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.</p>		
Principal payments on bonds and notes		<u>4,469,120</u>
		4,469,120
<p>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 the governmental funds.</p>		
Net change in compensated absences for the current period		(41,897)
Net change in accrued interest for the current period		(53,503)
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 postemployment benefits		<u>(868,099)</u>
		(1,191,115)
<p>Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. These revenues are recognized on the accrual basis in the government-wide statements. Collection of these revenues has no effect on the statement of net assets</p>		
		(250,934)
<p>Internal service funds are used by management to charge the costs of self-insurance and capital replacements to individual funds. Net income (loss) of the internal service funds is reported with governmental activities.</p>		
		<u>(1,812,338)</u>
Change in net assets of governmental activities before extraordinary item	\$	<u>1,205,658</u>

*See notes to financial statements.*

**City of Montebello**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit System	Golf	Montebello	Others	Total	
	Fund	Course	Hilton			
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and investments	\$ 247,806	\$ 246,751	\$ 335,195	\$ 736,941	\$ 1,566,693	\$ 8,209,063
Cash and investments with fiscal agent	-	302,086	-	-	302,086	-
Accounts receivable	2,081,008	79,368	92,354	126,328	2,379,058	-
Inventory	914,524	2,201	1,712	-	918,437	68,551
Prepaid expense and other current assets	-	555	36,854	-	37,409	2,322
<b>Total current assets</b>	<u>3,243,338</u>	<u>630,961</u>	<u>466,115</u>	<u>863,269</u>	<u>5,203,683</u>	<u>8,279,936</u>
<b>Noncurrent assets</b>						
Land	3,901,596	2,370,000	-	35,000	6,306,596	108,369
Buildings and improvements	23,587,440	8,763,738	1,681,369	141,284	34,173,831	428,794
Machinery and equipment	56,912,020	1,904,143	-	2,204,819	61,020,982	643,651
Construction in progress	111,372	-	-	-	111,372	-
Accumulated depreciation	(36,277,434)	(7,083,804)	(393,453)	(2,099,868)	(45,854,559)	(1,058,374)
<b>Total noncurrent assets</b>	<u>48,234,994</u>	<u>5,954,077</u>	<u>1,287,916</u>	<u>281,235</u>	<u>55,758,222</u>	<u>122,440</u>
<b>Total assets</b>	<u>51,478,332</u>	<u>6,585,038</u>	<u>1,754,031</u>	<u>1,144,504</u>	<u>60,961,905</u>	<u>8,402,376</u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	2,157,048	157,648	4,900,754	265,010	7,480,460	121,142
Due to other funds	-	1,551,260	-	-	1,551,260	7,500
Deposits payable	-	400	7,700	31,739	39,839	-
Claims payable	-	-	-	-	-	11,359,481
Compensated absences	968,775	79,898	-	1,069	1,049,742	3,777
Unearned revenue	171,708	-	-	-	171,708	-
Interest payable	-	54,567	1,121,592	-	1,176,159	-
Certificates of participation	-	201,420	-	-	201,420	-
<b>Total current liabilities</b>	<u>3,297,531</u>	<u>2,045,193</u>	<u>6,030,046</u>	<u>297,818</u>	<u>11,670,588</u>	<u>11,491,900</u>
<b>Long-term liabilities</b>						
Compensated absences	254,384	34,121	-	-	288,505	-
Certificates of participation	-	4,407,100	-	-	4,407,100	-
<b>Total long-term liabilities</b>	<u>254,384</u>	<u>4,441,221</u>	<u>-</u>	<u>-</u>	<u>4,695,605</u>	<u>-</u>
<b>Total liabilities</b>	<u>3,551,915</u>	<u>6,486,414</u>	<u>6,030,046</u>	<u>297,818</u>	<u>16,366,193</u>	<u>11,491,900</u>
<b>NET ASSETS</b>						
Invested in capital assets	48,234,994	5,752,657	1,287,916	281,235	55,556,802	122,440
Restricted for Debt service	-	302,086	-	-	302,086	-
Unrestricted	(308,577)	(5,956,119)	(5,563,931)	565,451	(11,263,176)	(3,211,964)
<b>Total net assets</b>	<u>\$ 47,926,417</u>	<u>\$ 98,624</u>	<u>\$ (4,276,015)</u>	<u>\$ 846,686</u>	<u>\$ 44,595,712</u>	<u>\$ (3,089,524)</u>

See notes to financial statements.

**City of Montebello**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit System Fund	Golf Course	Montebello Hilton	Others	Total	
<b>Operating revenues</b>						
Charges for services	\$ 6,241,428	\$ 2,271,284	\$ 4,124,516	\$ 1,441,091	\$ 14,078,319	\$ 5,899,525
Other	95,539	50,297	-	-	145,836	-
<b>Total operating revenues</b>	<u>6,336,967</u>	<u>2,321,581</u>	<u>4,124,516</u>	<u>1,441,091</u>	<u>14,224,155</u>	<u>5,899,525</u>
<b>Operating expenses</b>						
Labor and fringe benefits	15,350,274	1,004,436	1,301,622	7,766	17,664,098	98,994
Materials and supplies	-	126,299	-	-	126,299	447,408
Food and beverage	-	-	233,887	-	233,887	-
Repairs and maintenance	4,632,125	4,222	98,446	2,709	4,737,502	492,433
Purchased water	-	-	-	1,426,892	1,426,892	-
Utilities	274,892	265,005	152,643	78,783	771,323	-
Insurance claims and premiums	-	52,016	53,261	-	105,277	5,095,076
Contract services	1,553,700	400,949	198,021	465,579	2,618,249	653,842
Franchise fee	-	-	331,918	-	331,918	-
Depreciation expense	3,569,840	348,863	107,175	59,142	4,085,020	1,384
Administrative expense	1,582,964	235,104	798,649	102,608	2,719,325	77,726
Other expenses	900,954	130,125	-	-	1,031,079	-
<b>Total operating expenses</b>	<u>27,864,749</u>	<u>2,567,019</u>	<u>3,275,622</u>	<u>2,143,479</u>	<u>35,850,869</u>	<u>6,866,863</u>
<b>Operating income (loss)</b>	<u>(21,527,782)</u>	<u>(245,438)</u>	<u>848,894</u>	<u>(702,388)</u>	<u>(21,626,714)</u>	<u>(967,338)</u>
<b>Nonoperating revenues (expenses)</b>						
Federal and State grants	21,827,107	-	-	-	21,827,107	-
Interest income (expense)	5,779	(28,302)	(168,172)	3,772	(186,923)	-
<b>Net nonoperating revenues (expenses)</b>	<u>21,832,886</u>	<u>(28,302)</u>	<u>(168,172)</u>	<u>3,772</u>	<u>21,640,184</u>	<u>-</u>
<b>Income (loss) before transfers</b>	<u>305,104</u>	<u>(273,740)</u>	<u>680,722</u>	<u>(698,616)</u>	<u>13,470</u>	<u>(967,338)</u>
<b>Transfers in</b>	1,100,000	-	-	374,000	1,474,000	-
<b>Transfers out</b>	-	-	(1,309,734)	-	(1,309,734)	(845,000)
<b>Net transfers in (out)</b>	<u>1,100,000</u>	<u>-</u>	<u>(1,309,734)</u>	<u>374,000</u>	<u>164,266</u>	<u>(845,000)</u>
<b>Change in net assets</b>	1,405,104	(273,740)	(629,012)	(324,616)	177,736	(1,812,338)
<b>Net assets - beginning of year</b>	46,521,313	372,364	(3,647,003)	1,171,302	44,417,976	(1,277,186)
<b>Net assets - end of year</b>	<u>\$ 47,926,417</u>	<u>\$ 98,624</u>	<u>\$ (4,276,015)</u>	<u>\$ 846,686</u>	<u>\$ 44,595,712</u>	<u>\$ (3,089,524)</u>

See notes to financial statements.

**City of Montebello**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit System Fund	Golf Course	Montebello Hilton	Others	Total	
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 4,399,525	\$ 2,351,767	\$ 4,159,337	\$ 1,452,301	\$ 12,362,930	\$ 5,899,525
Other receipts	-	50,297	-	-	50,297	-
Payments to suppliers	(8,250,203)	(1,232,851)	(1,175,432)	(2,235,210)	(12,893,696)	(5,886,813)
Payments to employees	(14,972,587)	(993,868)	(1,301,622)	(7,656)	(17,275,733)	(362,279)
<b>Net cash provided by (used in) operating activities</b>	<b>(18,823,265)</b>	<b>175,345</b>	<b>1,682,283</b>	<b>(790,565)</b>	<b>(17,756,202)</b>	<b>(349,567)</b>
<b>Cash flows from non-capital financing activities</b>						
Operating grants received from Federal and State	16,802,690	-	-	-	16,802,690	-
Cash received from other funds	1,100,000	-	-	374,000	1,474,000	8,400,000
Cash paid to other funds	-	-	(1,309,734)	-	(1,309,734)	(845,000)
<b>Net cash provided by (used in) non- financing activities</b>	<b>17,902,690</b>	<b>-</b>	<b>(1,309,734)</b>	<b>374,000</b>	<b>16,966,956</b>	<b>7,555,000</b>
<b>Cash flows from capital and related financing activities</b>						
Interest received	5,779	-	-	3,772	9,551	-
Interest paid	-	26,265	(168,172)	-	(141,907)	-
Principal payment	-	(192,880)	-	-	(192,880)	-
Acquisition of capital assets	(4,640,497)	(18,270)	(78,016)	-	(4,736,783)	-
Federal and State capital grants	5,024,417	-	-	-	5,024,417	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>389,699</b>	<b>(184,885)</b>	<b>(246,188)</b>	<b>3,772</b>	<b>(37,602)</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>(530,876)</b>	<b>(9,540)</b>	<b>126,361</b>	<b>(412,793)</b>	<b>(826,848)</b>	<b>7,205,433</b>
<b>Cash and cash equivalents - beginning</b>	<b>778,682</b>	<b>558,377</b>	<b>208,834</b>	<b>1,149,734</b>	<b>2,695,627</b>	<b>1,003,630</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 247,806</b>	<b>\$ 548,837</b>	<b>\$ 335,195</b>	<b>\$ 736,941</b>	<b>\$ 1,868,779</b>	<b>\$ 8,209,063</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss)	\$ (21,527,782)	\$ (245,438)	\$ 848,894	\$ (702,388)	\$ (21,626,714)	\$ (967,338)
Depreciation and amortization	3,569,840	348,863	107,175	59,142	4,085,020	1,384
Changes in assets and liabilities						
Accounts receivable	(1,404,675)	80,483	34,821	11,146	(1,278,225)	-
Inventories	(914,523)	(403)	20	-	(914,906)	881,122
Prepaid expenses	-	(555)	(24,507)	-	(25,062)	(2,322)
Accounts payable and accrued liabilities	1,609,381	(18,173)	719,996	(158,639)	2,152,565	(349,592)
Deposits payable	(425)	-	(4,116)	64	(4,477)	-
Compensated absences	377,687	10,568	-	110	388,365	(260,963)
Unearned revenue	(532,768)	-	-	-	(532,768)	-
Claims payable	-	-	-	-	-	348,142
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (18,823,265)</b>	<b>\$ 175,345</b>	<b>\$ 1,682,283</b>	<b>\$ (790,565)</b>	<b>\$ (17,756,202)</b>	<b>\$ (349,567)</b>

See notes to financial statements.

**City of Montebello**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2012**

	<u>Successor Agency Private-purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 17,783,931	\$ 1,742,573
Cash and investments with fiscal agent	4,797,783	-
Receivables:		
Accounts	19,254	-
Notes, net	4,011,535	-
Bond issuance costs	1,006,639	-
Land held for resale	5,983,486	-
Capital assets	13,399,975	-
<b>Total assets</b>	<u>47,002,603</u>	<u>1,742,573</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	159,365	-
Due to other governmental agencies	10,081,610	-
Deposits payable	151,660	1,742,573
Interest payable	1,044,590	-
Due to City of Montebello	9,426,362	-
Unearned revenues	25,000	-
Noncurrent liabilities:		
Due within one year	3,390,000	-
Due in more than one year	62,262,150	-
<b>Total liabilities</b>	<u>86,540,737</u>	<u>1,742,573</u>
<b>NET ASSETS (DEFICIT)</b>		
Fiduciary net assets (deficit)	<u>(39,538,134)</u>	-
<b>Total net assets (deficit) \$</b>	<u><u>(39,538,134)</u></u>	<u><u>-</u></u>

**City of Montebello**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2012**

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	Successor Agency Private-purpose Trust Fund
<b>Revenues</b>	
Property taxes	\$ 2,506,368
Other taxes	1,084,611
Fines and forfeitures	1,450
Investment income	10,408
Other revenue	216,050
<b>Total revenues</b>	<b>3,818,887</b>
 <b>Expenditures</b>	
Current:	
Housing and community development	878,010
Debt service:	
Principal retirement	1,445,000
Interest and fiscal charges	2,274,534
Others	102,792
<b>Total expenditures</b>	<b>4,700,336</b>
<b>Change in net assets balance before extraordinary items</b>	<b>(881,449)</b>
 <b>Extraordinary items</b>	
Redevelopment Agency dissolution transactions	(28,765,304)
Excess Low and Moderate Income Housing Funds to be returned to the County of Los Angeles per AB1484	(8,719,322)
Asset valuation adjustments	(1,172,059)
	<b>(38,656,685)</b>
<b>Change in net assets balance after extraordinary items</b>	<b>(39,538,134)</b>
<b>Net assets, beginning of year</b>	<b>-</b>
<b>Net assets (deficit), end of year</b>	<b>\$ (39,538,134)</b>

*See notes to financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 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.

*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.

Separate financial statements are not prepared for the Montebello Public Financing Authority, Montebello Public Improvement Corporation, and the Water System Improvement Corporation.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Montebello Redevelopment Agency*

Prior to its dissolution on February 1, 2012, the former Montebello Redevelopment Agency's (Agency) financial activity was reported as a component unit of the City. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational, and public facilities. The City Council members acted as the Agency's directors, designated management and had full accountability for the Agency's fiscal matters. The Agency's financial data and transactions were included with the debt service fund type and capital projects fund type. Agency revenues consisted primarily of property tax allocations on the incremental increase of property values in the redevelopment area, and investment income.

Pursuant to the provisions of ABX1 26, the Montebello Redevelopment Agency was dissolved and the Successor Agency to the Dissolved Montebello Redevelopment Agency (Successor Agency) was created, and all of the assets, liabilities and obligations of the former redevelopment agency were transferred to the Successor Agency and the housing Successor Agency on February 1, 2012.

The City of Montebello currently serves as the Successor Agency to the former redevelopment agency that is responsible for revenue collection, maintaining the bond reserves, disposing of excess property and fulfilling the obligations of the dissolved Agency.

Financial information for the Successor Agency is presented as a Private-purpose Trust fund. See also Note 16.

**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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

**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) are included in the statement of net assets. 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.

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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 Retirement Special Revenue Fund is used to account for the accumulation of resources required for the funding of the City employees' retirement fund.

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 Housing Special Revenue Fund is used to account for the housing assets and activities of the former Low and Moderate Income Housing Fund of the dissolved redevelopment agency.

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.

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 Dissolved 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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

*Fiduciary Fund*

The Successor Agency Private-purpose Trust Fund is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities and activities of the Successor Agency to the Dissolved Montebello Redevelopment Agency. Unlike the limited reporting typically utilized for an Agency Fund, Private-purpose Trust Fund reports a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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.

**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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.
- Assigned - Amounts that are intended to be used for specific purposes and 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. In the fiscal year 2011/2012 budget, the City allocated \$1.25 million consisting of \$1.0 million for debt service/short-term financing needs, \$200 thousand for restricted revenue expenditures yet to be budgeted, and an undesignated reserve of \$50,000.

**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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2012.

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

**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.

**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.

**Land Held for Resale**

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

**Inventory**

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 cost on a first-in, first-out basis.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Vacation and Sick Leave**

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 \$2,791,864 reported in the governmental activities includes \$2,788,087 to be paid by governmental funds and \$3,777 accrued in the internal service funds. The total compensated absences reported in the business-type activities amounted to \$1,338,247.

**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 - 1st installment March 1 - 2nd installment
Collection date	December 10 - 1st installment April 10 - 2nd installment

**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.

**NOTE 2 CASH AND INVESTMENTS**

Cash and investments at June 30, 2012 consisted of the following:

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Unrestricted assets:			
Cash and investments	\$ 25,723,659	\$ 19,526,504	\$ 45,250,163
Restricted assets:			
Cash and investments with fiscal agents	7,358,329	4,797,783	12,156,112
Total cash and investments	\$ 33,081,988	\$ 24,324,287	\$ 57,406,275

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$	6,746
Deposits with financial institutions		14,557,011
Investments		42,842,518
Total cash and investments	\$	57,406,275

**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.

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

	Maximum Maturity	Maximum Percentage of Portfolio *
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 trustees that are not subject to California Government Code restrictions.

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

N/A Not applicable

**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.

	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
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

**NOTE 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 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 <u>12 Months or Less</u>	Totals
Local Agency Investment Fund (LAIF)	\$ 30,686,406	\$ 30,686,406
Cash and investments with fiscal agents:		
Money market mutual funds	12,156,112	12,156,112
Total	\$ 42,842,518	\$ 42,842,518

**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, as reported by Standard & Poor's, as of year end for each investment type:

Investment Type	Total as of June 30, 2012	Minimum Legal Rating	AAA	Unrated
Local Agency Investment Fund (LAIF)	\$ 30,686,406	N/A	\$ -	\$ 30,686,406
Cash and investments with fiscal agents:				
Money market mutual funds	12,156,112	A	12,156,112	-
Total	\$ 42,842,518		\$ 12,156,112	\$ 30,686,406

**NOTE 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, 2012, 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, 2012, the City had a contractual withdrawal value of \$30,686,406.

**City of Montebello**  
**Notes to Financial Statements**  
**Year ended June 30, 2012**

**NOTE 3 CAPITAL ASSETS**

A summary of changes in the governmental activities capital assets for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Transfer to Fiduciary Agency Fund	Balance at June 30, 2012
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 8,665,644	\$ -	\$ (6,612,000)	\$ 2,053,644
Right of way	14,391,776	-	-	14,391,776
Construction in progress	-	1,094,864	-	1,094,864
Total capital assets, not being depreciated	<u>23,057,420</u>	<u>1,094,864</u>	<u>(6,612,000)</u>	<u>17,540,284</u>
Capital assets, being depreciated				
Buildings and improvements	56,014,215	-	(7,507,224)	48,506,991
Machinery and equipment	43,818,390	395,627	(338,251)	43,875,766
Infrastructure	48,409,657	-	-	48,409,657
Total capital assets, being depreciated	<u>148,242,262</u>	<u>395,627</u>	<u>(7,845,475)</u>	<u>140,792,414</u>
Accumulated depreciation for				
Buildings and improvements	(14,150,428)	(859,236)	670,106	(14,339,558)
Machinery and equipment	(34,218,526)	(2,570,528)	318,565	(36,470,489)
Infrastructure	(28,704,863)	(704,807)	-	(29,409,670)
Total accumulated depreciation	<u>(77,073,817)</u>	<u>(4,134,571)</u>	<u>988,671</u>	<u>(80,219,717)</u>
Capital assets, being depreciated, net	<u>71,168,445</u>	<u>(3,738,944)</u>	<u>(6,856,804)</u>	<u>60,572,697</u>
Governmental activities capital assets, net \$	<u>\$ 94,225,865</u>	<u>\$ (2,644,080)</u>	<u>\$ (13,468,804)</u>	<u>\$ 78,112,981</u>

A summary of changes in the business-type activities capital assets for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 6,306,596	\$ -	\$ -	\$ 6,306,596
Construction in progress	111,372	-	-	111,372
Total capital assets, not being depreciated	<u>6,417,968</u>	<u>-</u>	<u>-</u>	<u>6,417,968</u>
Capital assets, being depreciated				
Buildings and improvements	31,884,587	2,289,244	-	34,173,831
Machinery and equipment	58,573,442	2,447,540	-	61,020,982
Total capital assets, being depreciated	<u>90,458,029</u>	<u>4,736,784</u>	<u>-</u>	<u>95,194,813</u>
Accumulated depreciation for				
Buildings and improvements	(16,594,442)	(846,986)	-	(17,441,428)
Machinery and equipment	(25,175,097)	(3,238,034)	-	(28,413,131)
Total accumulated depreciation	<u>(41,769,539)</u>	<u>(4,085,020)</u>	<u>-</u>	<u>(45,854,559)</u>
Capital assets, being depreciated, net	<u>48,688,490</u>	<u>651,764</u>	<u>-</u>	<u>49,340,254</u>
Business-type activities capital assets, net \$	<u>\$ 55,106,458</u>	<u>\$ 651,764</u>	<u>\$ -</u>	<u>\$ 55,758,222</u>

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

**Depreciation Expense**

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

	Amount
General government	\$ 557,543
Public safety	1,749,123
Public works	131,943
Parks, recreation, and culture	877,119
Housing and community development	112,652
Internal service funds depreciation charged to programs based on asset usage	1,384
Allocated depreciation	3,429,764
Unallocated infrastructure depreciation	704,807
Total depreciation expense - governmental activities	\$ 4,134,571

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

	Amount
Transit	\$ 3,569,840
Golf Course	348,863
Montebello Hilton	107,175
Other enterprise funds	59,142
Total depreciation expense -business-type activities	\$ 4,085,020

**NOTE 4 NOTES RECEIVABLE**

Notes receivable at June 30, 2012 include the following:

	Amount
Community Development Block Grant loans	\$ 970,100
HOME Program loan	1,300,000
Total	\$ 2,270,100

**Community Development Block Grant Loans**

At June 30, 2012, loans made to individual homeowners under the Community Development Block Grant program amounted to \$970,100. These loans are payable when the borrowers sell the property.

**NOTE 4        NOTES RECEIVABLE (CONTINUED)**

**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 the 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.

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. In January 2013, the developer agreed to pay the amount in installments within 12 months to be secured by a deed of trust on several real properties valued at \$1.65 million. This settlement will be presented to the judge in March 2013.

**NOTE 5        INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2012 is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount
General fund	Golf course enterprise fund	\$ 1,204,811
	Other governmental funds	18,159
	Internal service funds	7,500
Other governmental funds	Golf course enterprise fund	346,449
Total		\$ 1,576,919

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

The receivable of the General Fund and Other Governmental Funds from the Golf Course Enterprise Fund was mainly to fund operating deficits incurred by the Golf Course Enterprise Fund in the prior years.

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.

**Interfund Transfers**

The compositions of the City's interfund transfer balances are as follows:

	<b>Transfers In</b>				<b>Total</b>
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Transit System Fund</b>	<b>Other Enterprise Funds</b>	
<b>Transfers out</b>					
(A) Retirement fund	\$ 5,791,854	\$ -	\$ -	\$ -	\$ 5,791,854
(B) Capital projects fund					
Capital improvement	2,232,839	-	-	-	2,232,839
(C) Other governmental funds	1,815,357	8,453,329	1,100,000	-	11,368,686
(D) Montebello Hilton	554,138	755,596	-	-	1,309,734
(E) Internal service funds	-	471,000	-	374,000	845,000
	<u>\$ 10,394,188</u>	<u>\$ 9,679,925</u>	<u>\$ 1,100,000</u>	<u>\$ 374,000</u>	<u>\$ 21,548,113</u>

- (A) Transfer of \$5,791,854 from the Retirement Fund to the General Fund to pay the annual City retirement contributions.
- (B) Transfer of \$2,232,839 from the Capital Improvement Capital Projects Fund to reimburse the General Fund for prior years' capital outlays of other funds.
- (C) Transfers of \$11,368,686 from the Other Governmental Funds consisted of: (1) \$1,815,357 to the General Fund for reimbursement of employee retirement benefits, to recover expenditures which qualify for the Gas Tax Fund, administrative expenditures and for reimbursement of prior year financing charges on debt service; (2) \$8,453,329 to Other Governmental Funds to pay for debt service and capital outlays; and, (3) \$1,100,000 to the Transit System Fund to pay for their share in the transit projects.
- (D) Transfers of \$1,309,734 from the Montebello Hilton Enterprise Fund consisted of: (1) \$554,138 to the General Fund for reimbursement of prior years' financing charges incurred to comply with debt service requirement; and, (2) \$755,596 to the Other Governmental Funds to pay for debt service on the 2004 revenue bonds issued to finance the acquisition, construction and equipping of the hotel facility.

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

(E) Transfers of \$845,000 from the Internal Service Funds consisted of: (1) \$471,000 to the Other Governmental Funds to pay for capital outlays; and (2) \$374,000 to the Other Enterprise Funds to pay for the maintenance of the detention facility.

**Due from Successor Agency Trust Fund**

The City has agreements with the former Montebello Redevelopment Agency (now a Fiduciary Agency Fund) providing for the advance of funds to finance improvements and operations relating to and within the redevelopment 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. However, for the amount due from the Successor Agency Trust Fund, no interest was accrued as of June 30, 2012. At June 30, 2012, the Fiduciary Agency Fund has a net liability to the City of \$9,426,362, which is reported in the Statement of Net Assets as Due from Successor Agency Trust Fund. This amount includes \$8,957,808 due to the Housing Special Revenue Fund pertaining to advances made by the former Low and Moderate Income Housing Fund to the former redevelopment agency for payment of the Supplemental Educational Revenue Augmentation Fund (SERAF) and debt services.

**NOTE 6 LONG-TERM LIABILITIES**

The following is a summary of long-term liability transactions for the year ended June 30, 2012:

Governmental Activities

	Balances July 1, 2011	Additions	Reductions	Transfer to Fiduciary Agency Fund	Balance June 30, 2012	Amount Due Within One Year
<b>Bonds payable</b>						
Tax allocation bonds	\$ 64,603,222	\$ -	\$ (1,675,000)	\$ (62,928,222)	\$ -	\$ -
Revenue bonds	15,575,000	-	(365,000)	-	15,210,000	410,000
Certificates of participation	19,213,600	-	(862,120)	-	18,351,480	903,580
Subtotal bonds payable	99,391,822	-	(2,902,120)	(62,928,222)	33,561,480	1,313,580
<b>Less deferred amounts</b>						
On refunding	(585,410)	-	50,350	316,878	(218,182)	-
Issuance discounts	(113,733)	-	8,530	-	(105,203)	-
Total bonds payable	98,692,679	-	(2,843,240)	(62,611,344)	33,238,095	1,313,580
Notes payable	11,471,926	-	(1,567,000)	(4,003,820)	5,901,106	1,166,106
Compensated absences	3,010,930	-	(219,066)	-	2,791,864	3,777
Other postemployment benefit obligation	3,573,625	1,457,299	(589,200)	-	4,441,724	617,663
<b>Total governmental activities</b>	<b>\$ 116,749,160</b>	<b>\$ 1,457,299</b>	<b>\$ (5,218,506)</b>	<b>\$ (66,615,164)</b>	<b>\$ 46,372,789</b>	<b>\$ 3,101,126</b>

**NOTE 6      LONG-TERM LIABILITIES (CONTINUED)**

*Business-type Activities*

	Balances July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Golf enterprise fund					
Certificates of participation	\$ 4,801,400	-	\$ (192,880)	\$ 4,608,520	\$ 201,420
Compensated absences	949,882	388,365	-	1,338,247	1,049,742
Total business-type activities	\$ 5,751,282	\$ 388,365	\$ (192,880)	\$ 5,946,767	\$ 1,251,162

**Governmental Activities**

A. 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.

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.

**NOTE 6      LONG-TERM LIABILITIES (CONTINUED)**

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.

The outstanding balance at June 30, 2012 was \$15,210,000.

The annual requirements to amortize revenue bonds outstanding as of June 30, 2012, included in the long-term liabilities, at 0.23% interest rate are as follows:

Year Ending June 30,	Principal	Interest	Total
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	515,000	30,786	545,786
2018-2022	2,850,000	135,321	2,985,321
2023-2027	3,355,000	100,280	3,455,280
2028-2032	3,950,000	59,053	4,009,053
2033-2034	2,715,000	12,662	2,727,662
Totals	<u>\$ 15,210,000</u>	<u>\$ 472,112</u>	<u>\$ 15,682,112</u>

**B. 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 \$610,000 to \$1,300,000 are due from November 1, 2001 through November 1, 2026. Interest rates range from 4.00% to 5.375%.

**NOTE 6                      LONG-TERM LIABILITIES (CONTINUED)**

The Certificates maturing on or after November 1, 2011 were 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:

Prepayment Dates	Redemption Prices
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, 2012 is \$13,905,000.

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. Of the \$8,570,000 of 2001 Certificates, \$6,570,000 was allocated to refund the 1995 Certificates of Participation.

Debt service is shared between the City (76.4%) and the Golf Course Enterprise Fund (23.6%). 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, 2012 was 0.39%.

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:

**NOTE 6                    LONG-TERM LIABILITIES (CONTINUED)**

Prepayment Dates	Redemption Prices
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%

The outstanding balance as of June 30, 2012 is \$4,446,480.

The annual requirements to amortize the Certificates of Participation outstanding as of June 30, 2012 included in the long-term liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 903,580	\$ 731,403	\$ 1,634,983
2014	945,040	699,095	1,644,135
2015	986,500	664,792	1,651,292
2016	1,032,960	628,150	1,661,110
2017	1,084,420	588,850	1,673,270
2018-2022	6,284,840	2,252,471	8,537,311
2023-2027	7,114,140	830,789	7,944,929
Totals	\$ 18,351,480	\$ 6,395,550	\$ 24,747,030

**C. 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:

Year Ending June 30,	Principal	Interest	Total
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	331,000	202,475	533,475
2018-2022	1,929,000	720,410	2,649,410
2023-2026	1,569,000	149,125	1,718,125
Totals	\$ 5,012,000	\$ 2,039,046	\$ 7,051,046

**NOTE 6                    LONG-TERM LIABILITIES (CONTINUED)**

(2) During the fiscal year ended June 30, 2011, the City was notified by the HUD that the City had not provided sufficient documentation with respect to \$2,189,106 in grant expenditure and directed the City to repay the amount. In September 2011, the City paid \$1,300,000 to HUD. As at June 30, 2012, the remaining amount of \$889,106 remains unpaid. The City is attempting to obtain some or all of these funds from a third party involved with the grant-funded project.

**D. Compensated Absences**

The noncurrent portion of the accumulated vacation and sick leave liabilities, liquidated primarily by the General Fund, of \$2,791,864 has no repayment schedule at June 30, 2012.

**E. Other Postemployment Benefit Obligation**

Refer to Note 8 for more information on these obligations.

**Business-type Activities**

**F. 1999 Certificates of Participation**

On March 30, 1999, the City of Montebello issued \$4,275,000 of 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% and 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, 2012 was \$3,235,000.

**NOTE 6      LONG-TERM LIABILITIES (CONTINUED)**

G. 2001 Certificates of Participation

In December 2001, the MPIC issued \$8,570,000 of 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.

Debt service is shared between the City (76.4%) and the Golf Course Enterprise Fund (23.6%). 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, 2012 was 0.39%.

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:

Prepayment Dates	Redemption Prices
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%

The outstanding balance as of June 30, 2012 is \$1,373,520.

H. Debt Service Requirements

The annual requirements to amortize the Certificates of Participation outstanding as of June 30, 2012 included in the long-term liabilities are as follows:

**NOTE 6      LONG-TERM LIABILITIES (CONTINUED)**

Year Ending June 30,	Principal	Interest	Total
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	240,580	461,448	702,028
2018-2022	1,420,160	826,265	2,246,425
2023-2027	1,530,860	399,439	1,930,299
2028-2029	555,000	47,248	602,248
Totals	<u>\$ 4,608,520</u>	<u>\$ 2,438,637</u>	<u>\$ 7,047,157</u>

**NOTE 7      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 provide 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 its 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, 2012, 2011, and 2010 were 18.08%, 14.82%, and 13.34% of annual covered payroll for nonsafety employees and 34.53%, 28.74%, and 26.57% 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.

**Annual Pension Cost**

For fiscal year 2011-2012, the City's annual pension cost was \$8,457,300 and the City actually contributed \$8,613,319. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry-age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.30% to 14.20% that vary by duration of service, and (c) 2.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%.

**NOTE 7      DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 payrolls on a closed basis over a 30-year period.

Three-Year Trend Information for CalPERS:

Schedule of Employer Contributions Miscellaneous and Safety Employees			
Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
June 30, 2010	\$ 8,330,945	100%	-
June 30, 2011	8,182,573	100%	-
June 30, 2012	8,613,319	100%	-

**Funded Status and Funding Progress for Miscellaneous Employees**

As of June 30, 2011, the most recent actuarial valuation date, the Plan was 85.9% funded. The actuarial accrued liability for benefits was \$135,733,320 and the actuarial value of assets was \$116,546,483, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,186,837. The covered payroll (annual payroll of active employees covered by the Plan) was \$16,467,207 and the ratio of the UAAL to the covered payroll was 116.5%.

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, 2011, the most recent actuarial valuation date, the Plan was 80.2% funded. The actuarial accrued liability for benefits was \$180,477,386 and the actuarial value of assets was \$144,656,510 resulting in an unfunded actuarial accrued liability of \$35,820,876. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,711,426 and the ratio of the UAAL to the covered payroll was 334.4%.

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.

**NOTE 8      OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The City provides postemployment healthcare benefits to eligible employees at retirement through a single-employer defined benefit other postemployment 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 per month. 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.

**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, 2012, the City paid \$589,200 in healthcare costs for its retirees and their covered dependents.

**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.

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:

		Amount
Annual required contribution	\$	1,518,488
Interest on net OPEB obligation		178,681
Adjustment to ARC		(239,871)
Annual OPEB cost (expense)		1,457,299
Actual contributions made		589,200
Increase in net OPEB obligation		868,099
Net OPEB obligation- beginning of year		3,573,625
Net OPEB obligation- end of year	\$	4,441,724

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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, 2012, as well as for the preceding years, was as follows:

Fiscal Years Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 1,295,206	14.8%	\$ 2,215,494
June 30, 2011	1,660,668	18.2%	3,573,625
June 30, 2012	1,457,299	40.4%	4,441,724

**Funded Status and Funding Progress**

The UAAL as of July 1, 2012 amounted to \$15,690,191.

	Amount
Actuarial accrued liability (AAL)	\$ 15,690,191
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 15,690,191</u>
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll	\$ 22,398,000
UAAL as a percentage of covered payroll	70%

**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.

**NOTE 8      OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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, 2012 actuarial valuation (the most current available), the entry-age normal cost method was used. The actuarial assumptions included an investment interest rate of 4.50% 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 over an initial 30 years using a level-dollar amortization method.

**NOTE 9      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 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, 2012, the present value of the estimated liability discounted at a 2.50% rate for claims payable is \$11,359,481. 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.

	<b>2012</b>	2011
Insurance Claims Payable:		
Claims payable at July 1	\$ 11,011,339	\$ 10,329,125
Claims incurred during the fiscal year	4,631,336	4,490,693
Payments on claims during the fiscal year	(4,283,194)	(3,808,479)
Claims Payable at June 30	\$ 11,359,481	\$ 11,011,339

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.

**NOTE 10      REQUIRED INDIVIDUAL FUND DISCLOSURES**

**Deficit Fund Equity**

The Montebello Hilton Enterprise Fund (Hotel) has a net asset deficit of \$4,276,015. The operating revenues are pledged for payment of debt service on the 2004 Revenue Bonds (see Note 6G). 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, 2012, \$5,898,794 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.

The Self-Insurance Internal Service Fund has a net asset deficit of \$4,030,592. The deficit will be eliminated by future revenues or transfers from other funds.

**NOTE 11      ENCUMBRANCES**

At June 30, 2012, there were outstanding encumbrances, which represent commitments on open purchase orders or contracts, of \$4,939,146 in the governmental funds, \$255,740 in the enterprise funds, \$249,577 in the internal service fund, and \$281,303 in the fiduciary funds.

**NOTE 12      CONTINGENCIES**

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.

**Prepaid Lease Agreement**

On October 27, 2000, the Montebello Public Improvement Corporation (MPIC) issued \$22,900,000 Certificates of Participation (COPs). The COPs 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 COPs subject to abatement as described in the COP documents.

**NOTE 12      CONTINGENCIES (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.

On September 22, 2010, the City issued a tax and revenue anticipation note (TRAN) in the amount of \$19.3 million pursuant to an Amended and Restated Loan Agreement between the Agency and the City and such TRAN was purchased by the Agency as an investment.

In May 2011, 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 COPs 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, reducing the prepayment amount to \$13,487,438. Also, the Agency allowed the City to credit the same amount on the repayment by the City of the TRAN owed to the Agency. An independent audit of the Agency conducted by the State Controller in September 2011 acknowledged full repayment of the TRAN. This was also validated by a final judgment rendered by the Los Angeles Superior Court.

With the dissolution of Montebello Redevelopment Agency, the assets and liabilities of the dissolved redevelopment agency were transferred to the Successor Agency and reported in a fiduciary fund. Considering that the Agency has satisfied its obligation under the COPs and Reimbursement Agreements with the lease prepayment and has no further interest in the transaction, no prepaid asset was reported in the Successor Agency Fiduciary Trust Fund as of June 30, 2012.

**NOTE 13      CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT**

After spending close to a year exploring and debating reforms to public pension systems in California, lawmakers in Sacramento passed Assembly Bill 340 (AB 340) on August 31, 2012. AB 340 known as the California Public Employees' Pension Reform Act of 2013 (PEPRA) which amends various provisions of the Public Employees' Retirement Law (PERL) and County Employee's Retirement Law of 1937 (CERL), was signed into law by the Governor on September 12, 2012. PEPRA will take effect on January 1, 2013. Management asserts that PEPRA will not have a significant impact on the City's June 30, 2012 financial statements.

**NOTE 14      SUBSEQUENT EVENTS**

The City has evaluated events subsequent to June 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 28, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**NOTE 15      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.

Management believes that the effect of these uncertainties will not have a significant impact on the City's June 30, 2012 financial statements.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED MONTEBELLO REDEVELOPMENT AGENCY**

Pursuant to a California Assembly bill (AB X1 26), redevelopment agencies throughout the State of California were dissolved as of February 1, 2012. AB 1484, amended and supplemented provisions of AB X1 26 and the two bills together, are referred to below as the "RDA Dissolution Act."

The Dissolution Act provides that, upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each dissolved redevelopment agency which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the dissolved redevelopment agencies to the County Auditor-Controller for distribution to the affected taxing entities.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies are to be allocated revenue limited to the amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all such enforceable obligations have been paid in full and all assets have been liquidated.

The Dissolution Act 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 available assets to be transferred to the successor agency designated by the Bill.

In accordance with the timeline set forth in the Dissolution Act (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the City of Montebello Redevelopment Agency continued to be reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved Redevelopment Agency were transferred to and are reported in the City's Housing Asset special revenue fund. All other assets, obligations, and activities of the Dissolved Redevelopment Agency were transferred to and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary gain in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the Private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
 MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$	(22,920,165)
Capital assets reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund		
Cost	\$	(14,457,475)
Accumulated depreciation		<u>988,671</u>
		(13,468,804)
Interest on loans receivable not expected to be collected in the current period are offset by unearned revenue in the funds. They have been recognized and are in net assets in the government-wide financial statements.		(1,587,937)
Deferred charges represent costs associated with the issuance of long-term debt, which are deferred and amortized over the life of the debt. The costs are reported as expenditures of current financial resources in the governmental funds		(1,006,639)
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund		1,095,849
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund		
Tax allocation bonds	62,928,222	
Notes payable	4,003,820	
Deferred amount on refunding	<u>(279,042)</u>	
		<u>66,653,000</u>
Net increase to net assets of the government-wide financial statements as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)		28,765,304
Excess funds of the former Low and Moderate Income Housing Fund ordered by the California State Department of Finance to be returned to the County of Los Angeles		8,719,322
Asset valuation adjustments		<u>1,172,059</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of the extraordinary items reported in the Statement of Changes in Fiduciary Net Assets	\$	<u><u>38,656,685</u></u>

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

**Disclosures about the Successor Agency Trust Fund**

**Notes Receivable**

Notes receivable at June 30, 2012 include the following:

	Amount
Quiet Cannon, Inc.	\$ 2,182,178
Casa La Merced	666,308
Business assistance program	725,655
Home improvement loans	437,394
Total \$	4,011,535

**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, 2012, \$2,182,178 remains outstanding on the note receivable.

**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 receivable of \$1,587,937 on the note receivable as at June 30, 2012. The interest receivable is covered by a 100% provision for bad debts.

**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, 2012, \$725,655 remained outstanding on the business improvement loans.

**Home Improvement Loans**

During the 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, 2012 was \$437,394.

**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 amounting to \$1,362,288. The Agency will make these payments when it has funds available.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

Also included in the amounts due to other governmental agencies is the amount of \$8,719,322 remitted by the Successor Agency Trust Fund to the County of Los Angeles on December 20, 2012 as a result of the California State Department of Finance's (DOF) review of the Due Diligence Review Report for the Low and Moderate Income Housing Fund in December 2012.

**Long-term Liabilities**

The following is a summary of long-term liability transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Transfer from City	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Bonds payable						
Tax allocation bonds	\$ -	\$ 62,928,222	\$ 444,150	\$ (1,445,000)	\$ 61,927,372	\$ 3,390,000
Less deferred amounts						
On refunding	-	(316,878)	-	37,836	(279,042)	-
Total bonds payable	-	62,611,344	444,150	(1,407,164)	61,648,330	3,390,000
 Note payable	 -	 4,003,820	 -	 -	 4,003,820	 -
 Total governmental activities	 -	 \$ 66,615,164	 \$ 444,150	 \$ (1,407,164)	 \$ 65,652,150	 \$ 3,390,000

**A. Tax Allocation Bonds**

Nonhousing Tax Allocation Bonds:

	Amount
\$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%	\$ 3,270,000
\$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%	4,840,000
\$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%	2,165,000
\$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%	955,000

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

	Amount
\$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%	\$      6,306,724
\$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%	2,525,000
\$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%	3,170,000
\$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%	5,585,000
\$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%	2,595,000
\$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%	5,440,000
Total Nonhousing Tax Allocation Bonds \$	47,346,724

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (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, and with no redemption premium after March 1, 2007.

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, and with no redemption premium after March 1, 2010.

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, and with no redemption premium after March 1, 2010.

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, and with no redemption premium after March 1, 2011.

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 with no redemption premium after March 1, 2010.

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 with no redemption premium.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (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 with no redemption premium.

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 with no redemption premium after September 1, 2011.

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 with no redemption premium after September 1, 2011.

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.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

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 in ranges of \$145,000 (September 1, 2009) to \$675,000 (September 1, 2022), from sinking account payments made by the Agency without a redemption premium.

	Amount
\$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 at 5.90% to 7.16%	\$      2,820,000
\$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 at 5.25% to 5.75%.	6,030,648
\$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 at 3.38% to 4.00%	5,730,000
Total Housing Tax Allocation Bonds \$	14,580,648

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 and without a redemption premium after September 1, 2012.

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.

**NOTE 16      SUCCESSOR AGENCY TRUST FOR ASSETS OF THE DISSOLVED  
MONTEBELLO REDEVELOPMENT AGENCY (CONTINUED)**

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2012, included in the long-term liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 3,390,000	\$ 3,089,951	\$ 6,479,951
2014	4,180,000	2,905,794	7,085,794
2015	4,470,000	2,682,769	7,152,769
2016	4,795,000	2,442,475	7,237,475
2017	5,110,000	2,184,166	7,294,166
2018-2022	21,741,535	7,815,943	29,557,478
2023-2027	18,240,837	2,335,676	20,576,513
	<u>\$ 61,927,372</u>	<u>\$ 23,456,774</u>	<u>\$ 85,384,146</u>

**Note Payable**

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 in the current as well as the prior fiscal years. At June 30, 2012, the principal amount outstanding is \$4,003,820.

Annual debt service payments on this note are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 200,191	\$ 200,191
2014	-	200,191	200,191
2015	-	200,191	200,191
2016	-	200,191	200,191
2017	-	200,191	200,191
2018-2022	1,000,020	934,053	1,934,073
2023-2027	2,036,537	519,615	2,556,152
2028-2029	967,263	55,197	1,022,460
Totals	<u>\$ 4,003,820</u>	<u>\$ 2,509,820</u>	<u>\$ 6,513,640</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Montebello**  
**Schedules of Funding Progress**  
**June 30, 2012**

CalPERS Miscellaneous Employees Plan  
(\$ amount in thousands)

Actuarial Valuation Date	Actuarial Asset Value (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)
June 30, 2009	\$ 104,961	\$ 125,434	\$ 20,473	83.7%	\$ 18,603	110.1%
June 30, 2010	110,422	131,621	21,199	83.9%	17,434	121.6%
June 30, 2011	116,546	135,733	19,187	85.9%	16,467	116.5%

CalPERS Safety Employees Plan  
(\$ amount in thousands)

Actuarial Valuation Date	Actuarial Asset Value (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)
June 30, 2009	\$ 134,012	\$ 167,396	\$ 33,384	80.1%	\$ 12,513	266.8%
June 30, 2010	139,262	173,599	34,337	80.2%	11,527	297.9%
June 30, 2011	144,657	180,477	35,820	80.2%	10,711	334.4%

Other Post-Employment Benefits Plan  
(\$ amount in thousands)

Actuarial Valuation Date	Actuarial Asset Value (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)
June 30, 2008	\$ -	\$ 12,026	\$ 12,026	-	\$ 57,739	20.8%
July 1, 2011	-	15,055	15,055	-	23,000	65.5%
July 1, 2012	-	15,690	15,690	-	22,398	70.1%

**City of Montebello**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Sales taxes	\$ 10,647,000	\$ 10,647,000	\$ 10,847,400	\$ 200,400
Property taxes	3,635,050	3,635,050	3,526,257	(108,793)
Other taxes	340,000	340,000	410,337	70,337
Franchise taxes	1,380,297	1,380,297	1,221,311	(158,986)
Licenses and permits	5,412,415	5,412,415	4,492,697	(919,718)
Fines and forfeitures	1,538,100	1,538,100	1,783,888	245,788
Investment income	15,000	15,000	1,524	(13,476)
Revenue from other agencies	5,000,000	5,000,000	5,156,500	156,500
Charges for services	5,429,549	5,429,549	5,835,846	406,297
Other revenue	137,450	137,450	440,537	303,087
<b>Total revenues</b>	<u>33,534,861</u>	<u>33,534,861</u>	<u>33,716,297</u>	<u>181,436</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government				
City Council	128,434	139,434	137,091	2,343
City Clerk	116,773	130,573	199,329	(68,756)
City Treasurer	43,439	18,639	15,565	3,074
City Attorney	648,600	648,600	234,382	414,218
City Administrator	691,223	701,223	828,410	(127,187)
Employee relations	452,463	452,463	418,429	34,034
Community promotions	31,000	31,000	22,161	8,839
Finance	1,585,321	1,678,645	1,432,025	246,620
General services	1,083,830	990,506	937,010	53,496
Building and maintenance	366,521	337,842	333,294	4,548
Economic development	-	-	428,785	(428,785)
Governmental building maintenance	413,622	331,601	307,130	24,471
Other Sources	-	-	177,354	(177,354)
Total general government	<u>5,561,226</u>	<u>5,460,526</u>	<u>5,470,965</u>	<u>(10,439)</u>
Public safety				
Police administration	412,397	469,497	628,562	(159,065)
Field services - police	15,006,854	14,867,549	15,278,821	(411,272)
Support services - police	644,706	746,411	664,368	82,043
Investigative services	885,472	832,602	35,710	796,892
Grant	401,735	435,105	441,124	(6,019)
Fire administration	1,072,469	1,097,915	1,049,864	48,051
Fire suppression	9,368,235	9,411,081	9,230,903	180,178
Fire prevention	203,288	176,572	173,157	3,415
Fire communications	231,031	220,606	213,603	7,003
Total public safety	<u>28,226,187</u>	<u>28,257,338</u>	<u>27,716,112</u>	<u>541,226</u>
Public works				
Street	<u>6,057,282</u>	<u>5,910,682</u>	<u>5,657,797</u>	<u>252,885</u>
Parks and recreation				
Parks and recreation administration	568,289	433,589	422,323	11,266
Recreation services	2,230,497	2,241,306	2,145,976	95,330
Parks maintenance	1,289,150	1,321,700	1,177,543	144,157
AB 939	-	146,600	255,687	(109,087)
Trees	101,039	161,230	173,285	(12,055)
Total parks and recreation	<u>4,188,975</u>	<u>4,304,425</u>	<u>4,174,814</u>	<u>129,611</u>

**City of Montebello**  
**Budgetary Comparison Schedule**  
**General Fund (Continued)**  
**Year ended June 30, 2012**

Housing and community development				
Planning	411,675	522,375	511,934	10,441
Engineering	<u>751,192</u>	<u>751,192</u>	<u>812,838</u>	<u>(61,646)</u>
Total housing and community development	<u>1,162,867</u>	<u>1,273,567</u>	<u>1,324,772</u>	<u>(51,205)</u>
Debt service:				
Principal retirement	-	-	2,500,000	(2,500,000)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>63,629</u>	<u>(63,629)</u>
Total debt service	<u>-</u>	<u>-</u>	<u>2,563,629</u>	<u>(2,563,629)</u>
Interfund revenue	<u>(3,229,900)</u>	<u>(3,229,900)</u>	<u>(2,477,085)</u>	<u>(752,815)</u>
<b>Total expenditures</b>	<u>41,966,637</u>	<u>41,976,638</u>	<u>44,431,004</u>	<u>(2,454,366)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(8,431,776)</u>	<u>(8,441,777)</u>	<u>(10,714,707)</u>	<u>(2,272,930)</u>
<b>Other financing sources (uses)</b>				
Transfers in	8,966,500	8,966,500	10,394,188	1,427,688
Transfers out	(100,000)	(100,000)	-	100,000
Loan proceeds	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
<b>Net, other financing sources (uses)</b>	<u>8,866,500</u>	<u>8,866,500</u>	<u>12,894,188</u>	<u>4,027,688</u>
<b>Change in fund balance</b>	434,724	424,723	2,179,481	1,754,758
<b>Fund balance - beginning of year</b>	<u>4,975,576</u>	<u>4,975,576</u>	<u>4,975,576</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 5,410,300</u>	<u>\$ 5,400,299</u>	<u>\$ 7,155,057</u>	<u>\$ 1,754,758</u>

**NOTE 1      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 budgeted in the following fiscal year. Projects that are not started during the budget year are reevaluated in the following year.

**SUPPLEMENTARY SCHEDULES**

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.

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  
Year ended June 30, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds Public Financing Authority	Capital Projects Funds Redevelopment Agency	Debt Service Funds Redevelopment Agency	Total Other Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 8,621,284	\$ 1,233	\$ -	\$ -	\$ -	\$ 8,622,517
Cash and investments with fiscal agent	-	5,573,869	1,482,374	-	-	7,056,243
Receivables:						
Accounts	724,667	-	-	-	-	724,667
Notes	970,100	-	-	-	-	970,100
Prepaid expenses	700	-	-	-	-	700
Due from other funds	75,596	346,449	-	-	-	422,045
<b>Total assets</b>	<b>\$ 10,392,347</b>	<b>\$ 5,921,551</b>	<b>\$ 1,482,374</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,796,272</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 166,969	\$ 2,700	\$ -	\$ -	\$ -	\$ 169,669
Due to other funds	-	-	18,159	-	-	18,159
Deferred revenues	944,706	-	-	-	-	944,706
<b>Total liabilities</b>	<b>1,111,675</b>	<b>2,700</b>	<b>18,159</b>	<b>-</b>	<b>-</b>	<b>1,132,534</b>
<b>Fund balances</b>						
Nonspendable						
Noncurrent notes receivable	25,394	-	-	-	-	25,394
Restricted for						
Debt service	-	5,918,851	-	-	-	5,918,851
Capital improvements	-	-	1,464,215	-	-	1,464,215
Special revenue funds	9,255,278	-	-	-	-	9,255,278
<b>Total fund balances</b>	<b>9,280,672</b>	<b>5,918,851</b>	<b>1,464,215</b>	<b>-</b>	<b>-</b>	<b>16,663,738</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,392,347</b>	<b>\$ 5,921,551</b>	<b>\$ 1,482,374</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,796,272</b>

**City of Montebello**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**Year ended June 30, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund Public Financing Authority	Capital Projects Fund Redevelopment Agency	Debt Service Fund Redevelopment Agency	Total Other Governmental Funds
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 1,827,575	\$ 6,695,542	\$ 8,523,117
Investment income	39,651	3	30	179,628	25,791	245,103
Revenue from other agencies	6,851,560	-	-	-	-	6,851,560
Other revenue	290,564	483	-	217,172	-	508,219
<b>Total revenues</b>	<u>7,181,775</u>	<u>486</u>	<u>30</u>	<u>2,224,375</u>	<u>6,721,333</u>	<u>16,127,999</u>
<b>Expenditures</b>						
Current						
General government	1,866,324	69,291	17,126	-	-	1,952,741
Housing and community development	123,604	-	-	3,965,862	344,185	4,433,651
Capital outlay	1,003,999	-	-	-	-	1,003,999
Debt Service						
Principal payments	267,000	1,227,120	-	-	1,675,000	3,169,120
Interest and fees	277,507	599,848	291,975	168,887	1,646,240	2,984,457
<b>Total expenditures</b>	<u>3,538,434</u>	<u>1,896,259</u>	<u>309,101</u>	<u>4,134,749</u>	<u>3,665,425</u>	<u>13,543,968</u>
<b>Excess (deficiency) of revenues over expenditures</b>	3,643,341	(1,895,773)	(309,071)	(1,910,374)	3,055,908	2,584,031
<b>Other financing sources (uses)</b>						
Transfers in	-	2,734,743	1,830,548	2,171,067	2,943,567	9,679,925
Transfers out	(2,700,000)	(1,642,138)	(707,897)	(3,568,999)	(2,749,652)	(11,368,686)
<b>Net other financing sources (uses)</b>	<u>(2,700,000)</u>	<u>1,092,605</u>	<u>1,122,651</u>	<u>(1,397,932)</u>	<u>193,915</u>	<u>(1,688,761)</u>
<b>Net change in fund balance, before extraordinary item</b>	943,341	(803,168)	813,580	(3,308,306)	3,249,823	895,270
<b>Extraordinary item</b>						
RDA dissolution transactions	-	-	-	(17,870,186)	(16,048,617)	(33,918,803)
<b>Net change in fund balance, after extraordinary item</b>	943,341	(803,168)	813,580	(21,178,492)	(12,798,794)	(33,023,533)
<b>Fund balance - beginning of year</b>	8,337,331	6,722,019	650,635	21,178,492	12,798,794	49,687,271
<b>Fund balance - end of year</b>	<u>\$ 9,280,672</u>	<u>\$ 5,918,851</u>	<u>\$ 1,464,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,663,738</u>

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.

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

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.

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.

Local 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 other various grants for neighborhood and commercial improvement purposes.

CDBG Fund – To account for funds received from the Community Development Block Grant for housing and community development purposes.

HOME Fund – To account for grant funds received for housing activities of the City.

	<u>Gas Tax</u>	<u>Supplemental Law Enforcement</u>	<u>Park Development</u>
<b>ASSETS</b>			
Cash and investments	\$ 162,643	\$ 142,437	\$ 146,970
Receivables			
Accounts	152,736	-	-
Notes	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
<b>Total assets</b>	<b>\$ <u>315,379</u></b>	<b>\$ <u>142,437</u></b>	<b>\$ <u>146,970</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 145	\$ -	\$ -
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b><u>145</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balances</b>			
Nonspendable:			
Noncurrent notes receivable	-	-	-
Restricted for:			
Special revenues	<u>315,234</u>	<u>142,437</u>	<u>146,970</u>
<b>Total fund balances</b>	<b><u>315,234</u></b>	<b><u>142,437</u></b>	<b><u>146,970</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>315,379</u></b>	<b>\$ <u>142,437</u></b>	<b>\$ <u>146,970</u></b>

**City of Montebello**  
**Combining Balance Sheet**  
**Other Special Revenue Funds**  
**June 30, 2012**

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Prop A	Drug Enforcement	Prop C	Measure R
\$ 1,683,177	\$ 2,056,553	\$ 2,390,280	\$ 856,597
93,722	22,945	-	58,333
-	-	-	-
-	700	-	-
-	-	-	-
\$ 1,776,899	\$ 2,080,198	\$ 2,390,280	\$ 914,930
\$ 24,469	\$ 2,675	\$ 49,376	\$ 15,777
-	-	-	-
24,469	2,675	49,376	15,777
-	-	-	-
1,752,430	2,077,523	2,340,904	899,153
1,752,430	2,077,523	2,340,904	899,153
\$ 1,776,899	\$ 2,080,198	\$ 2,390,280	\$ 914,930

	Metro Station	Air Quality	Local Law Enforcement Block Grant	Justice Assistance Grants
<b>ASSETS</b>				
Cash and investments	\$ 180,661	\$ 290,102	\$ 35	\$ 49,714
Receivables				
Accounts	-	-	-	-
Notes	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 180,661</u>	<u>\$ 290,102</u>	<u>\$ 35</u>	<u>\$ 49,714</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ 3,035	\$ -	\$ -
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>3,035</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable:				
Noncurrent notes receivable	-	-	-	-
Restricted for:				
Special revenues	180,661	287,067	35	49,714
<b>Total fund balances</b>	<u>180,661</u>	<u>287,067</u>	<u>35</u>	<u>49,714</u>
<b>Total liabilities and fund balances</b>	<u>\$ 180,661</u>	<u>\$ 290,102</u>	<u>\$ 35</u>	<u>\$ 49,714</u>

**City of Montebello  
Combining Balance Sheet  
Other Special Revenue Funds (Continued)  
June 30, 2012**

Grants	CDBG	Home	TDA Article 3	Total Other Special Revenue Funds
\$ 296,321	\$ 365,794	\$ -	\$ -	\$ 8,621,284
285,249	45,154	34,832	31,696	724,667
-	970,100	-	-	970,100
-	-	-	-	700
75,596	-	-	-	75,596
<u>\$ 657,166</u>	<u>\$ 1,381,048</u>	<u>\$ 34,832</u>	<u>\$ 31,696</u>	<u>\$ 10,392,347</u>
\$ 609	\$ 36,051	\$ 34,832	\$ -	\$ 166,969
-	944,706	-	-	944,706
<u>609</u>	<u>980,757</u>	<u>34,832</u>	<u>-</u>	<u>1,111,675</u>
-	25,394	-	-	25,394
<u>656,557</u>	<u>374,897</u>	<u>-</u>	<u>31,696</u>	<u>9,255,278</u>
<u>656,557</u>	<u>400,291</u>	<u>-</u>	<u>31,696</u>	<u>9,280,672</u>
<u>\$ 657,166</u>	<u>\$ 1,381,048</u>	<u>\$ 34,832</u>	<u>\$ 31,696</u>	<u>\$ 10,392,347</u>

	<u>Gas Tax</u>	<u>Supplemental Law Enforcement</u>
<b>Revenues</b>		
Investment income	\$ 1,795	\$ 519
Revenue from other agencies	1,790,437	111,428
Other revenue		
<b>Total revenues</b>	<u>1,792,232</u>	<u>111,947</u>
<b>Expenditures</b>		
Current:		
General government	346,545	72,509
Community development	-	-
Capital outlay:		
Public safety	-	-
Debt service:		
Principal	-	-
Interest	-	-
<b>Total expenditures</b>	<u>346,545</u>	<u>72,509</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,445,687</u>	<u>39,438</u>
<b>Other financing sources (uses)</b>		
Transfers out	<u>(1,600,000)</u>	-
<b>Net other financing sources (uses)</b>	<u>(1,600,000)</u>	-
<b>Net change in fund balances</b>	(154,313)	39,438
<b>Fund balances - beginning of year</b>	<u>469,547</u>	<u>102,999</u>
<b>Fund balances - end of year</b>	<u>\$ 315,234</u>	<u>\$ 142,437</u>

**City of Montebello**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Special Revenue Funds**  
**Year ended June 30, 2012**

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<u>Park Development</u>	<u>Prop A</u>	<u>Drug Enforcement</u>	<u>Prop C</u>	<u>Measure R</u>
\$ 558	\$ 9,630	\$ 6,801	\$ 10,190	\$ 4,371
-	961,255	1,124,993	798,968	594,133
778	-	-	-	-
<u>1,336</u>	<u>970,885</u>	<u>1,131,794</u>	<u>809,158</u>	<u>598,504</u>
-	155,822	110,728	18,838	675,747
-	-	-	-	-
-	-	142,602	861,397	-
-	-	-	-	-
<u>-</u>	<u>155,822</u>	<u>253,330</u>	<u>880,235</u>	<u>675,747</u>
<u>1,336</u>	<u>815,063</u>	<u>878,464</u>	<u>(71,077)</u>	<u>(77,243)</u>
<u>-</u>	<u>(1,100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(1,100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,336	(284,937)	878,464	(71,077)	(77,243)
<u>145,634</u>	<u>2,037,367</u>	<u>1,199,059</u>	<u>2,411,981</u>	<u>976,396</u>
<u>\$ 146,970</u>	<u>\$ 1,752,430</u>	<u>\$ 2,077,523</u>	<u>\$ 2,340,904</u>	<u>\$ 899,153</u>

	Metro Station	Air Quality	Local Law Enforcement Block Grant
<b>Revenues</b>			
Investment income	\$ 687	\$ 1,002	\$ -
Revenue from other agencies	-	59,321	35
Other revenue	-	-	-
<b>Total revenues</b>	<u>687</u>	<u>60,323</u>	<u>35</u>
<b>Expenditures</b>			
Current			
General government	-	17,402	-
Community development	-	-	-
Capital Outlay:			
Public safety	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>17,402</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>687</u>	<u>42,921</u>	<u>35</u>
<b>Other financing sources (uses)</b>			
Transfers out	-	-	-
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	687	42,921	35
<b>Fund balances - beginning of year</b>	<u>179,974</u>	<u>244,146</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ 180,661</u>	<u>\$ 287,067</u>	<u>\$ 35</u>

**City of Montebello**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Special Revenue Funds (Continued)**  
**Year ended June 30, 2012**

Justice Assistance Grants	Grants	CDBG	Home	TDA Article 3	Total Other Special Revenue Funds
\$ -	\$ 4,098	\$ -	\$ -	\$ -	\$ 39,651
49,714	362,206	932,542	34,832	31,696	6,851,560
-	289,786	-	-	-	290,564
<u>49,714</u>	<u>656,090</u>	<u>932,542</u>	<u>34,832</u>	<u>31,696</u>	<u>7,181,775</u>
-	468,733	-	-	-	1,866,324
-	-	88,772	34,832	-	123,604
-	-	-	-	-	1,003,999
-	-	267,000	-	-	267,000
-	-	277,507	-	-	277,507
<u>-</u>	<u>468,733</u>	<u>633,279</u>	<u>34,832</u>	<u>-</u>	<u>3,538,434</u>
<u>49,714</u>	<u>187,357</u>	<u>299,263</u>	<u>-</u>	<u>31,696</u>	<u>3,643,341</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,700,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,700,000)</u>
49,714	187,357	299,263	-	31,696	943,341
<u>-</u>	<u>469,200</u>	<u>101,028</u>	<u>-</u>	<u>-</u>	<u>8,337,331</u>
<u>\$ 49,714</u>	<u>\$ 656,557</u>	<u>\$ 400,291</u>	<u>\$ -</u>	<u>\$ 31,696</u>	<u>\$ 9,280,672</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Special Gas Tax Special Revenue Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 5,600	\$ 5,600	\$ 1,795	\$ (3,805)
Revenue from other agencies	1,084,200	1,084,200	1,790,437	706,237
Other revenues	510,200	510,200	-	(510,200)
<b>Total revenues</b>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,792,232</u>	<u>192,232</u>
<b>Expenditures</b>				
Current				
General government	50,000	50,000	346,545	(296,545)
<b>Total expenditures</b>	<u>50,000</u>	<u>50,000</u>	<u>346,545</u>	<u>(296,545)</u>
<b>Other financing uses</b>				
Transfers out	(1,600,000)	(1,600,000)	(1,600,000)	-
<b>Total other financing uses</b>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>
<b>Change in fund balance</b>	(50,000)	(50,000)	(154,313)	(104,313)
<b>Fund balance - beginning of year</b>	469,547	469,547	469,547	-
<b>Fund balance - end of year</b>	<u>\$ 419,547</u>	<u>\$ 419,547</u>	<u>\$ 315,234</u>	<u>\$ (104,313)</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Supplemental Law Enforcement Special Revenue Fund**  
**Year ended June 30, 2012**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 519	\$ 519
Revenue from other agencies	<u>100,000</u>	<u>100,000</u>	<u>111,428</u>	<u>11,428</u>
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>111,947</u>	<u>11,947</u>
<b>Expenditures</b>				
Current				
General government	<u>-</u>	<u>-</u>	<u>72,509</u>	<u>(72,509)</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>72,509</u>	<u>(72,509)</u>
<b>Change in fund balance</b>	100,000	100,000	39,438	(60,562)
<b>Fund balance - beginning of year</b>	<u>102,999</u>	<u>102,999</u>	<u>102,999</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 202,999</u>	<u>\$ 202,999</u>	<u>\$ 142,437</u>	<u>\$ (60,562)</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Park Development Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 558	\$ 558
Other revenues	4,000	4,000	778	(3,222)
<b>Total revenues</b>	4,000	4,000	1,336	(2,664)
 <b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Change in fund balance</b>	4,000	4,000	1,336	(2,664)
<b>Fund balance - beginning of year</b>	145,634	145,634	145,634	-
<b>Fund balance - end of year</b>	\$ 149,634	\$ 149,634	\$ 146,970	\$ (2,664)

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Prop A Special Revenue Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 8,500	\$ 8,500	\$ 9,630	\$ 1,130
Revenue from other agencies	905,411	905,411	961,255	55,844
<b>Total revenues</b>	<u>913,911</u>	<u>913,911</u>	<u>970,885</u>	<u>56,974</u>
<b>Expenditures</b>				
Current				
General government	24,469	155,822	155,822	-
<b>Total expenditures</b>	<u>24,469</u>	<u>155,822</u>	<u>155,822</u>	<u>-</u>
<b>Other financing uses</b>				
Transfers out	(913,911)	(1,100,000)	(1,100,000)	-
<b>Total other financing uses</b>	<u>(913,911)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>-</u>
<b>Change in fund balance</b>	(24,469)	(341,911)	(284,937)	56,974
<b>Fund balance - beginning of year</b>	2,037,367	2,037,367	2,037,367	-
<b>Fund balance - end of year</b>	<u>\$ 2,012,898</u>	<u>\$ 1,695,456</u>	<u>\$ 1,752,430</u>	<u>\$ 56,974</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Drug Enforcement Special Revenue Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 8,000	\$ 8,000	\$ 6,801	\$ (1,199)
Revenue from other agencies	400,000	400,000	1,124,993	724,993
<b>Total revenues</b>	<u>408,000</u>	<u>408,000</u>	<u>1,131,794</u>	<u>723,794</u>
<b>Expenditures</b>				
Current				
General government	356,059	356,059	110,728	245,331
Public Safety	-	40,000	142,602	(102,602)
<b>Total expenditures</b>	<u>356,059</u>	<u>396,059</u>	<u>253,330</u>	<u>142,729</u>
<b>Other financing uses</b>				
Transfers out	(100,000)	(100,000)	-	100,000
<b>Total other financing uses</b>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
<b>Change in fund balance</b>	(48,059)	(88,059)	878,464	966,523
<b>Fund balance - beginning of year</b>	1,199,059	1,199,059	1,199,059	-
<b>Fund balance - end of year</b>	<u>\$ 1,151,000</u>	<u>\$ 1,111,000</u>	<u>\$ 2,077,523</u>	<u>\$ 966,523</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Prop C Special Revenue Fund**  
**Year ended June 30, 2012**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ 23,000	\$ 23,000	\$ 10,190	\$ (12,810)
Revenue from other agencies	<u>751,015</u>	<u>751,015</u>	<u>798,968</u>	<u>47,953</u>
<b>Total revenues</b>	<u>774,015</u>	<u>774,015</u>	<u>809,158</u>	<u>35,143</u>
<b>Expenditures</b>				
Current				
General government	-	-	18,838	(18,838)
Public Safety	<u>3,038,430</u>	<u>1,939,555</u>	<u>861,397</u>	<u>1,078,158</u>
<b>Total expenditures</b>	<u>3,038,430</u>	<u>1,939,555</u>	<u>880,235</u>	<u>1,059,320</u>
<b>Net change in fund balance</b>	(2,264,415)	(1,165,540)	(71,077)	1,094,463
<b>Fund balance - beginning of year</b>	<u>2,411,981</u>	<u>2,411,981</u>	<u>2,411,981</u>	-
<b>Fund balance - end of year</b>	<u>\$ 147,566</u>	<u>\$ 1,246,441</u>	<u>\$ 2,340,904</u>	<u>\$ 1,094,463</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Measure R Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 5,000	\$ 5,000	\$ 4,371	\$ (629)
Revenue from other agencies	650,000	650,000	594,133	(55,867)
<b>Total revenues</b>	655,000	655,000	598,504	(56,496)
<b>Expenditures</b>				
Current				
General government	1,124,302	1,350,052	675,747	674,305
<b>Total expenditures</b>	1,124,302	1,350,052	675,747	674,305
<b>Change in fund balance</b>	(469,302)	(695,052)	(77,243)	617,809
<b>Fund balance - beginning of year</b>	976,396	976,396	976,396	-
<b>Fund balance - end of year</b>	\$ 507,094	\$ 281,344	\$ 899,153	\$ 617,809

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Metro Station Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 3,000	\$ 3,000	\$ 687	\$ (2,313)
<b>Total revenues</b>	<u>3,000</u>	<u>3,000</u>	<u>687</u>	<u>(2,313)</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balance</b>	3,000	3,000	687	(2,313)
<b>Fund balance - beginning of year</b>	179,974	179,974	179,974	-
<b>Fund balance - end of year</b>	<u>\$ 182,974</u>	<u>\$ 182,974</u>	<u>\$ 180,661</u>	<u>\$ (2,313)</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Air Quality Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 1,000	\$ 1,000	\$ 1,002	\$ 2
Revenue from other agencies	65,000	65,000	59,321	(5,679)
<b>Total revenues</b>	<u>66,000</u>	<u>66,000</u>	<u>60,323</u>	<u>(5,677)</u>
<b>Expenditures</b>				
Current				
General government	-	-	17,402	(17,402)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>17,402</u>	<u>(17,402)</u>
<b>Change in fund balance</b>	66,000	66,000	42,921	(23,079)
<b>Fund balance - beginning of year</b>	244,146	244,146	244,146	-
<b>Fund balance - end of year</b>	<u>\$ 310,146</u>	<u>\$ 310,146</u>	<u>\$ 287,067</u>	<u>\$ (23,079)</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Local Law Enforcement Block Grant Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from other agencies	\$ -	\$ -	\$ 35	\$ 35
<b>Total revenues</b>	-	-	35	35
<b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Change in fund balance</b>	-	-	35	35
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	\$ -	\$ -	\$ 35	\$ 35

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Justice Assistance Grants Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from other agencies	\$ -	\$ -	\$ 49,714	\$ 49,714
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>49,714</u>	<u>49,714</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balance</b>	-	-	49,714	49,714
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,714</u>	<u>\$ 49,714</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Grants Special Revenue Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 4,098	\$ 4,098
Revenue from other agencies	166,290	166,290	362,206	195,916
Other revenues	-	-	289,786	289,786
<b>Total revenues</b>	<u>166,290</u>	<u>166,290</u>	<u>656,090</u>	<u>489,800</u>
<b>Expenditures</b>				
Current				
Community development	-	150,000	468,733	(318,733)
<b>Total expenditures</b>	<u>-</u>	<u>150,000</u>	<u>468,733</u>	<u>(318,733)</u>
<b>Change in fund balance</b>	166,290	16,290	187,357	171,067
<b>Fund balance - beginning of year</b>	<u>469,200</u>	<u>469,200</u>	<u>469,200</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 635,490</u>	<u>\$ 485,490</u>	<u>\$ 656,557</u>	<u>\$ 171,067</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**Year ended June 30, 2012**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue from other agencies	\$ 968,819	\$ 968,819	\$ 932,542	\$ (36,277)
<b>Total revenues</b>	<u>968,819</u>	<u>968,819</u>	<u>932,542</u>	<u>(36,277)</u>
<b>Expenditures</b>				
Current				
Community development	939,221	939,221	88,772	850,449
Debt service				
Principal	-	-	267,000	(267,000)
Interest	-	-	277,507	(277,507)
<b>Total expenditures</b>	<u>939,221</u>	<u>939,221</u>	<u>633,279</u>	<u>305,942</u>
<b>Change in fund balance</b>	29,598	29,598	299,263	269,665
<b>Fund balance - beginning of year</b>	<u>101,028</u>	<u>101,028</u>	<u>101,028</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 130,626</u>	<u>\$ 130,626</u>	<u>\$ 400,291</u>	<u>\$ 269,665</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**HOME Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues</b>				
Revenue from other agencies	\$ 492,677	\$ 492,677	\$ 34,832	\$ (457,845)
<b>Total revenues</b>	492,677	492,677	34,832	(457,845)
<b>Expenditures</b>				
Current				
Community development	492,677	492,677	34,832	457,845
<b>Total expenditures</b>	492,677	492,677	34,832	457,845
<b>Change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	\$ -	\$ -	\$ -	\$ -

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**TDA Article 3 Special Revenue Fund**  
**Year ended June 30, 2012**

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from other agencies	\$ -	\$ -	\$ 31,696	\$ 31,696
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>31,696</u>	<u>31,696</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balance</b>	-	-	31,696	31,696
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,696</u>	<u>\$ 31,696</u>

**OTHER DEBT SERVICE FUNDS**

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

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

**City of Montebello  
Combining Balance Sheet  
Other Debt Service Funds  
June 30, 2012**

	<u>City</u>	<u>Public Financing Authority</u>	<u>Total Other Debt Service Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 659	\$ 574	\$ 1,233
Cash and investments with fiscal agent	1,817,323	3,756,546	5,573,869
Due from other funds	-	346,449	346,449
<b>Total assets</b>	<u>\$ 1,817,982</u>	<u>\$ 4,103,569</u>	<u>\$ 5,921,551</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 950	\$ 1,750	\$ 2,700
<b>Total liabilities</b>	<u>950</u>	<u>1,750</u>	<u>2,700</u>
<b>Fund balances</b>			
Restricted for Debt Service	<u>1,817,032</u>	<u>4,101,819</u>	<u>5,918,851</u>
<b>Total fund balances</b>	<u>1,817,032</u>	<u>4,101,819</u>	<u>5,918,851</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,817,982</u>	<u>\$ 4,103,569</u>	<u>\$ 5,921,551</u>

**City of Montebello**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balances**  
**Other Debt Service Funds**  
**Year ended June 30, 2012**

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	<u>City</u>	<u>Public Financing Authority</u>	<u>Total Other Debt Service Funds</u>
<b>Revenues</b>			
Investment income	\$ 3	\$ -	\$ 3
Other	360	123	483
<b>Total revenues</b>	<u>363</u>	<u>123</u>	<u>486</u>
<b>Expenditures</b>			
General Government	12,407	56,884	69,291
Debt Service			
Principal payments	862,120	365,000	1,227,120
Interest and fees	403,355	196,493	599,848
<b>Total expenditures</b>	<u>1,277,882</u>	<u>618,377</u>	<u>1,896,259</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,277,519)	(618,254)	(1,895,773)
<b>Other financing sources (uses)</b>			
Transfers in	1,244,661	1,490,082	2,734,743
Transfers out	-	(1,642,138)	(1,642,138)
<b>Net oher financing sources (uses)</b>	<u>1,244,661</u>	<u>(152,056)</u>	<u>1,092,605</u>
<b>Net change in fund balance</b>	(32,858)	(770,310)	(803,168)
<b>Fund balance - beginning of year</b>	1,849,890	4,872,129	6,722,019
<b>Fund balance - end of year</b>	<u>\$ 1,817,032</u>	<u>\$ 4,101,819</u>	<u>\$ 5,918,851</u>

**City of Montebello**  
**Schedule of Revenues, Expenses and Changes in Fund Balances -**  
**Budget and Actual**  
**City Debt Service Fund**  
**Year ended June 30, 2012**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 10,000	\$ 10,000	\$ 3	\$ (9,997)
Other	-	-	360	360
<b>Total revenues</b>	<u>10,000</u>	<u>10,000</u>	<u>363</u>	<u>(9,637)</u>
<b>Expenditures</b>				
General Government	-	-	12,407	(12,407)
Debt Service				
Principal payments	1,182,500	1,182,500	862,120	320,380
Interest and fees	3,049	3,049	403,355	(400,306)
<b>Total expenditures</b>	<u>1,185,549</u>	<u>1,185,549</u>	<u>1,277,882</u>	<u>(92,333)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,175,549)	(1,175,549)	(1,277,519)	(101,970)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	1,244,661	1,244,661
<b>Change in fund balance</b>	(1,175,549)	(1,175,549)	(32,858)	1,142,691
<b>Fund balance - beginning of year</b>	1,849,890	1,849,890	1,849,890	-
<b>Fund balance - end of year</b>	<u>\$ 674,341</u>	<u>\$ 674,341</u>	<u>\$ 1,817,032</u>	<u>\$ 1,142,691</u>

**City of Montebello**  
**Schedule of Revenues, Expenses and Changes in Fund Balances -**  
**Budget and Actual**  
**Public Financing Authority Debt Service Fund**  
**Year ended June 30, 2012**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other	\$ 12,000	\$ 12,000	\$ 123	\$ (11,877)
<b>Total revenues</b>	<u>12,000</u>	<u>12,000</u>	<u>123</u>	<u>(11,877)</u>
<b>Expenditures</b>				
General Government	-	-	56,884	(56,884)
Debt Service				
Principal payments	460,000	460,000	365,000	95,000
Interest and fees	1,800,000	1,800,000	196,493	1,603,507
<b>Total expenditures</b>	<u>2,260,000</u>	<u>2,260,000</u>	<u>618,377</u>	<u>1,641,623</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(2,248,000)	(2,248,000)	(618,254)	1,629,746
<b>Other financing sources (uses)</b>				
Transfers in	-	-	1,490,082	1,490,082
Transfers out	-	-	(1,642,138)	(1,642,138)
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(152,056)</u>	<u>(152,056)</u>
<b>Change in fund balance</b>	(2,248,000)	(2,248,000)	(770,310)	1,477,690
<b>Fund balance - beginning of year</b>	4,872,129	4,872,129	4,872,129	-
<b>Fund balance - end of year</b>	<u>\$ 2,624,129</u>	<u>\$ 2,624,129</u>	<u>\$ 4,101,819</u>	<u>\$ 1,477,690</u>

**OTHER MAJOR 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.

Retirement Special Revenue Fund - To account for financial resources received to pay for the contribution to the employees' retirement fund.

**City of Montebello**  
**Schedule of Revenues, Expenses and Changes in Fund Balances -**  
**Budget and Actual**  
**Capital Improvements Capital Projects Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 700,000	\$ 700,000	\$ 1,173	\$ (698,827)
Other revenues	-	-	58,958	58,958
<b>Total revenues</b>	<u>700,000</u>	<u>700,000</u>	<u>60,131</u>	<u>(639,869)</u>
<b>Expenditures</b>				
Capital Outlay	12,392,298	8,273,798	331,047	7,942,751
<b>Total expenditures</b>	<u>12,392,298</u>	<u>8,273,798</u>	<u>331,047</u>	<u>7,942,751</u>
<b>Other financing uses</b>				
Transfers out	(524,000)	(524,000)	(2,232,839)	(1,708,839)
<b>Total other financing uses</b>	<u>(524,000)</u>	<u>(524,000)</u>	<u>(2,232,839)</u>	<u>(1,708,839)</u>
<b>Change in fund balance</b>	(12,216,298)	(8,097,798)	(2,503,755)	5,594,043
<b>Fund balance - beginning of year</b>	<u>2,591,850</u>	<u>2,591,850</u>	<u>2,591,850</u>	-
<b>Fund balance - end of year</b>	<u>\$ (9,624,448)</u>	<u>\$ (5,505,948)</u>	<u>\$ 88,095</u>	<u>\$ 5,594,043</u>

**City of Montebello**  
**Schedule of Revenues, Expenses and Changes in Fund Balances -**  
**Budget and Actual**  
**Retirement Special Revenue Fund**  
**Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 3,528	\$ 3,528
Revenue from other agencies	6,733,500	6,733,500	7,850,951	1,117,451
<b>Total revenues</b>	<u>6,733,500</u>	<u>6,733,500</u>	<u>7,854,479</u>	<u>1,120,979</u>
<b>Other financing uses</b>				
Transfers out	-	(6,733,500)	(5,791,854)	941,646
<b>Total other financing uses</b>	<u>-</u>	<u>(6,733,500)</u>	<u>(5,791,854)</u>	<u>941,646</u>
<b>Change in fund balance</b>	6,733,500	-	2,062,625	2,062,625
<b>Fund balance - beginning of year</b>	202,318	202,318	202,318	-
<b>Fund balance - end of year</b>	<u>\$ 6,935,818</u>	<u>\$ 202,318</u>	<u>\$ 2,264,943</u>	<u>\$ 2,062,625</u>

**City of Montebello**  
**Description of Other Enterprise Funds**

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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, 2012**

	Water Utility	Detention Facility	Total Other Enterprise Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 736,766	\$ 175	\$ 736,941
Accounts receivable	126,328	-	126,328
<b>Total current assets</b>	<b>863,094</b>	<b>175</b>	<b>863,269</b>
<b>Noncurrent assets</b>			
Capital assets			
Land	35,000	-	35,000
Buildings and improvements	141,284	-	141,284
Machinery and equipment	2,185,927	18,892	2,204,819
Accumulated depreciation	(2,084,337)	(15,531)	(2,099,868)
<b>Net capital assets</b>	<b>277,874</b>	<b>3,361</b>	<b>281,235</b>
<b>Total assets</b>	<b>1,140,968</b>	<b>3,536</b>	<b>1,144,504</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	193,176	71,834	265,010
Deposits payable	31,739	-	31,739
Compensated absences	1,069	-	1,069
<b>Total current liabilities</b>	<b>225,984</b>	<b>71,834</b>	<b>297,818</b>
<b>Net assets</b>			
Invested in capital assets	277,874	3,361	281,235
Unrestricted	637,110	(71,659)	565,451
<b>Total net assets</b>	<b>\$ 914,984</b>	<b>\$ (68,298)</b>	<b>\$ 846,686</b>

**City of Montebello**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Other Enterprise Funds**  
**Year ended June 30, 2012**

	Water Utility	Detention Facility	Total Other Enterprise Funds
<b>Operating revenues</b>			
Charges for services	\$ 1,325,638	\$ 115,453	\$ 1,441,091
<b>Operating expenses</b>			
Labor and fringe benefits	7,766	-	7,766
Repairs and maintenance	43	2,666	2,709
Purchased water	1,426,892	-	1,426,892
Utilities	78,783	-	78,783
Contract services	18,967	446,612	465,579
Depreciation expense	58,181	961	59,142
Administration expense	98,429	4,179	102,608
<b>Total operating expense</b>	<u>1,689,061</u>	<u>454,418</u>	<u>2,143,479</u>
<b>Operating loss</b>	(363,423)	(338,965)	(702,388)
<b>Nonoperating revenues</b>			
Interest income	<u>3,772</u>	<u>-</u>	<u>3,772</u>
<b>Income (loss) before transfers</b>	(359,651)	(338,965)	(698,616)
<b>Other financing sources</b>			
Transfers in	<u>-</u>	<u>374,000</u>	<u>374,000</u>
<b>Change in net assets</b>	(359,651)	35,035	(324,616)
<b>Net assets - beginning of year</b>	<u>1,274,635</u>	<u>(103,333)</u>	<u>1,171,302</u>
<b>Net assets - end of year</b>	<u>\$ 914,984</u>	<u>\$ (68,298)</u>	<u>\$ 846,686</u>

**City of Montebello**  
**Combining Statement of cash Flows**  
**Other Enterprise Funds**  
**Year ended June 30, 2012**

	Water Utility	Detention Facility	Total Other Enterprise Funds
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,336,848	\$ 115,453	\$ 1,452,301
Payments to suppliers	(1,745,928)	(489,282)	(2,235,210)
Payments to employees	(7,656)	-	(7,656)
<b>Net cash used in operating activities</b>	<b>(416,736)</b>	<b>(373,829)</b>	<b>(790,565)</b>
<b>Cash flows from non-capital financing activities</b>			
Cash received from other funds	-	374,000	374,000
<b>Net cash provided by non-capital financing activities</b>	<b>-</b>	<b>374,000</b>	<b>374,000</b>
<b>Cash flows from capital and related financing activities</b>			
Interest received	3,772	-	3,772
<b>Net cash provided by capital and related financing activities</b>	<b>3,772</b>	<b>-</b>	<b>3,772</b>
<b>Change in cash and cash equivalents</b>	(412,964)	171	(412,793)
<b>Cash and cash equivalents - beginning of year</b>	1,149,730	4	1,149,734
<b>Cash and cash equivalents - end of year</b>	<b>\$ 736,766</b>	<b>\$ 175</b>	<b>\$ 736,941</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (363,423)	\$ (338,965)	\$ (702,388)
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			
Accounts receivable	11,146	-	11,146
Accounts payable and accrued liabilities including compensated absences	(122,640)	(35,825)	(158,465)
<b>Net cash used in operating activities</b>	<b>\$ (416,736)</b>	<b>\$ (373,829)</b>	<b>\$ (790,565)</b>

**City of Montebello**  
**Description of Internal Service Funds**

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Corporate Shop Fund - To account for the costs of operating a maintenance facility for automotive 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, 2012**

	Corporate Shop	Self-Insurance	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 824,423	\$ 7,384,640	\$ 8,209,063
Prepaid expenses	-	2,322	2,322
Inventories	68,551	-	68,551
<b>Total current assets</b>	<b>892,974</b>	<b>7,386,962</b>	<b>8,279,936</b>
<b>Noncurrent assets</b>			
Capital assets			
Land	108,369	-	108,369
Buildings and improvements	428,794	-	428,794
Machinery and equipment	643,651	-	643,651
Accumulated depreciation	(1,058,374)	-	(1,058,374)
<b>Net capital assets</b>	<b>122,440</b>	<b>-</b>	<b>122,440</b>
<b>Total assets</b>	<b>1,015,414</b>	<b>7,386,962</b>	<b>8,402,376</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	74,346	46,796	121,142
Claims payable	-	11,359,481	11,359,481
Due to other funds	-	7,500	7,500
Compensated absences	-	3,777	3,777
<b>Total current liabilities</b>	<b>74,346</b>	<b>11,417,554</b>	<b>11,491,900</b>
<b>Net assets</b>			
Invested in capital assets	122,440	-	122,440
Unrestricted	818,628	(4,030,592)	(3,211,964)
<b>Total net assets</b>	<b>\$ 941,068</b>	<b>\$ (4,030,592)</b>	<b>\$ (3,089,524)</b>

**City of Montebello**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**All Internal Service Funds**  
**Year ended June 30, 2012**

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	Corporate Shop	Self-Insurance	Total
<b>Operating revenues</b>			
Charges for services	\$ 1,589,675	\$ 4,309,850	\$ 5,899,525
<b>Operating expenses</b>			
Labor and fringe benefits	(56,260)	155,254	98,994
Materials and supplies	446,963	445	447,408
Repairs and maintenance	492,433	-	492,433
Insurance claims and premiums	-	5,095,076	5,095,076
Contractual services	1,767	652,075	653,842
Depreciation expense	1,384	-	1,384
Administrative expense	-	77,726	77,726
<b>Total operating expense</b>	<b>886,287</b>	<b>5,980,576</b>	<b>6,866,863</b>
<b>Operating income (loss) before transfers</b>	703,388	(1,670,726)	(967,338)
<b>Other financing sources (uses)</b>			
Transfers out	(845,000)	-	(845,000)
<b>Change in net assets</b>	<b>(141,612)</b>	<b>(1,670,726)</b>	<b>(1,812,338)</b>
<b>Net assets - beginning of year</b>	1,082,680	(2,359,866)	(1,277,186)
<b>Net assets - end of year</b>	\$ 941,068	\$ (4,030,592)	\$ (3,089,524)

**City of Montebello**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**Year ended June 30, 2012**

	Corporate Shop	Self-Insurance	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,589,675	\$ 4,309,850	\$ 5,899,525
Payments to suppliers	(339,468)	(5,547,345)	(5,886,813)
Payments to employees	(204,703)	(157,576)	(362,279)
<b>Net cash provided by (used in) operating activities</b>	<b>1,045,504</b>	<b>(1,395,071)</b>	<b>(349,567)</b>
<b>Cash flows from non-capital financing activities</b>			
Cash received from other funds	-	8,400,000	8,400,000
Cash paid to other funds	(845,000)	-	(845,000)
<b>Net cash provided by non-capital financing activities</b>	<b>(845,000)</b>	<b>8,400,000</b>	<b>7,555,000</b>
 <b>Change in cash and cash equivalents</b>	 200,504	 7,004,929	 7,205,433
<b>Cash and cash equivalents - beginning</b>	<b>623,919</b>	<b>379,711</b>	<b>1,003,630</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 824,423</b>	<b>\$ 7,384,640</b>	<b>\$ 8,209,063</b>
 <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 703,388	\$ (1,670,726)	\$ (967,338)
Adjustments to reconcile operating income (loss) to net cash used by operating activities			
Depreciation and amortization	1,384	-	1,384
Changes in operating assets and liabilities:			
Inventory	881,122	-	881,122
Prepaid expenses	-	(2,322)	(2,322)
Accounts payable and accrued liabilities including compensated absences	(540,390)	(70,165)	(610,555)
Claims payable	-	348,142	348,142
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,045,504</b>	<b>\$ (1,395,071)</b>	<b>\$ (349,567)</b>

**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 overtime.	115-119
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	120-123
<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.	124-128
<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.	129-130
<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.	131-133

**City of Montebello  
Net Assets by Component  
Last Eight Fiscal Years**

	Fiscal Year							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Government Activities								
Invested in capital assets, net of related debt	\$ 16,757,420	\$ 16,757,420	\$ 16,757,420	\$ 16,757,420	\$ 28,992,463	\$ 51,377,564	\$ 50,154,445	\$ 53,911,210
Restricted	46,255,503	45,942,363	51,949,836	61,999,161	63,061,184	24,305,187	28,522,292	27,662,376
Unrestricted	(61,733,648)	(57,664,431)	(52,527,623)	(51,800,615)	(68,290,188)	(46,153,068)	(42,582,327)	(15,674,582)
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>	<u>23,763,459</u>	<u>29,529,683</u>	<u>36,094,410</u>	<u>65,899,004</u>
Business-Type Activities								
Invested in capital assets, net of related debt	29,488,367	30,705,710	28,924,295	29,084,971	37,693,683	50,781,549	50,305,058	55,556,802
Restricted	-	-	-	-	-	-	-	302,086
Unrestricted	<u>1,395,613</u>	<u>2,418,506</u>	<u>2,818,773</u>	<u>959,454</u>	<u>(1,469,666)</u>	<u>(3,518,995)</u>	<u>(5,887,082)</u>	<u>(11,263,176)</u>
Total business-type activities net assets	<u>30,883,980</u>	<u>33,124,216</u>	<u>31,743,068</u>	<u>30,044,425</u>	<u>36,224,017</u>	<u>47,262,554</u>	<u>44,417,976</u>	<u>44,595,712</u>
Primary Government								
Invested in capital assets, net of related debt	46,245,787	47,463,130	45,681,715	45,842,391	66,686,146	102,159,113	100,459,503	109,468,012
Restricted	46,255,503	45,942,363	51,949,836	61,999,161	63,061,184	24,305,187	28,522,292	27,964,462
Unrestricted	<u>(60,338,035)</u>	<u>(55,245,925)</u>	<u>(49,708,850)</u>	<u>(50,841,161)</u>	<u>(69,759,854)</u>	<u>(49,672,063)</u>	<u>(48,469,409)</u>	<u>(26,937,758)</u>
Total primary government net assets	<u>\$ 32,163,255</u>	<u>\$ 38,159,568</u>	<u>\$ 47,922,701</u>	<u>\$ 57,000,391</u>	<u>\$ 59,987,476</u>	<u>\$ 76,792,237</u>	<u>\$ 80,512,386</u>	<u>\$ 110,494,716</u>

Source: City Finance Department

**City of Montebello**  
**Change in Net Assets – Expenses and Program Revenues**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Expenses:</b>								
<b>Governmental Activities:</b>								
General government	\$ 6,365,313	\$ 7,327,350	\$ 7,665,115	\$ 8,793,934	\$ 10,840,411	\$ 5,181,691	\$ 5,837,211	\$ 6,625,106
Public safety	25,540,413	25,635,372	26,246,104	29,893,922	33,131,797	34,440,947	30,196,363	29,927,417
Public works	7,141,347	8,349,482	4,454,728	5,375,202	5,098,404	5,383,610	5,916,177	5,871,891
Parks, recreation, and culture	5,776,598	6,932,418	4,628,107	5,014,204	4,994,538	6,194,042	4,955,587	5,092,219
Housing and community development	10,324,816	3,129,908	7,245,302	5,533,866	12,760,934	12,479,919	11,811,986	4,587,403
Unallocated infrastructure depreciation	746,251	506,840	582,928	612,202	659,156	698,249	704,807	704,807
Interest on long-term debt	5,104,601	5,725,349	5,987,723	6,425,606	5,837,489	5,072,065	5,142,772	3,329,205
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>	<u>73,322,729</u>	<u>69,450,523</u>	<u>64,564,903</u>	<u>56,138,048</u>
<b>Business-Type Activities:</b>								
Transit	21,132,477	24,540,700	26,033,078	28,483,736	25,773,717	24,752,340	23,653,069	27,864,749
Golf Course	2,884,869	3,035,806	3,310,810	3,044,757	3,404,206	3,064,788	3,028,680	2,595,321
Montebello Hilton	-	3,209,676	3,411,125	3,774,282	3,521,600	3,509,164	3,483,481	3,443,794
Other programs	4,254,116	1,644,374	1,630,225	2,245,349	1,895,974	2,125,401	2,133,751	2,143,480
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>	<u>34,595,497</u>	<u>33,451,693</u>	<u>32,298,981</u>	<u>36,047,344</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>	<u>\$ 107,918,226</u>	<u>\$ 102,902,216</u>	<u>\$96,863,884</u>	<u>\$ 92,185,392</u>
<b>Program revenues:</b>								
<b>Governmental Activities:</b>								
<b>Charges for services:</b>								
General government	\$ 2,833,351	\$ 2,892,218	\$ 3,135,760	\$ 3,230,738	\$ 3,293,527	\$ 3,854,697	\$ 4,171,044	\$ 2,787,309
Public safety	1,025,580	1,156,226	1,437,604	2,222,811	2,383,579	2,741,147	2,570,877	1,863,933
Public works	4,432,232	4,948,126	5,464,663	5,793,246	5,651,310	5,059,588	4,911,495	4,812,850
Parks, recreation, and culture	497,942	468,623	476,112	721,531	735,910	501,801	602,711	631,832
Housing and community development	-	-	107,737	-	-	-	-	-
Operating grants and contributions	7,775,862	6,006,905	9,040,588	9,074,067	7,256,003	9,829,694	8,283,190	7,155,005
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>	<u>19,320,329</u>	<u>21,986,927</u>	<u>20,539,317</u>	<u>17,250,929</u>
<b>Business-Type Activities:</b>								
<b>Charges for services:</b>								
Transit	5,332,698	5,570,132	5,896,805	5,856,016	6,391,094	6,156,991	6,340,026	6,277,092
Golf Course	2,323,086	3,370,757	3,399,226	3,178,243	2,806,983	2,537,564	2,633,844	2,321,582
Montebello Hilton	5,099,245	4,157,197	4,391,536	4,590,851	3,994,972	3,846,393	4,027,805	4,124,516
Other programs	-	1,487,036	1,702,443	1,722,561	1,457,989	1,585,638	1,515,315	1,444,863
Operating grants and contributions	13,498,708	16,944,255	15,746,472	19,462,038	17,243,596	15,487,526	16,398,554	16,868,344
Capital grants and contributions	955,190	3,357,984	122,409	938,311	9,578,566	16,253,784	3,226,572	5,024,417
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>	<u>41,473,200</u>	<u>45,867,896</u>	<u>34,142,116</u>	<u>36,060,814</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>	<u>\$ 60,793,529</u>	<u>\$ 67,854,823</u>	<u>\$54,681,433</u>	<u>\$53,311,743</u>
<b>Net (Expense) Revenue:</b>								
Governmental activities:	\$44,434,372	\$42,134,621	\$37,147,543	\$40,606,543	\$ 54,002,400	\$ 47,463,596	\$44,025,586	\$38,887,119
Business-type activities:	<u>1,062,535</u>	<u>(2,456,805)</u>	<u>3,126,347</u>	<u>1,800,104</u>	<u>(6,877,703)</u>	<u>(12,416,203)</u>	<u>(1,843,135)</u>	<u>(13,470)</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>	<u>\$ 47,124,697</u>	<u>\$ 35,047,393</u>	<u>\$42,182,451</u>	<u>\$38,873,649</u>

Source: City Finance Department

**City of Montebello**  
**Change in Net Assets – General Revenues**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>General Revenues and Other Changes in Net Assets:</b>								
Governmental Activities:								
Property taxes, levied for general purposes	\$ 19,651,384	\$ 21,695,458	\$ 22,851,037	\$ 25,324,813	\$ 26,981,166	\$ 26,991,825	\$ 26,319,201	\$ 20,245,594
Franchise taxes	942,645	1,059,921	1,228,866	1,220,316	1,088,537	1,254,753	1,311,388	1,221,311
Sales tax	11,620,826	12,119,985	12,620,273	11,390,099	10,509,273	8,048,518	10,446,061	10,847,400
Transient Occupancy tax	261,501	299,819	263,457	288,514	234,980	243,276	255,705	297,679
Unrestricted intergovernmental revenue	4,128,660	4,611,374	4,768,533	5,037,324	5,288,610	5,252,095	5,291,513	5,156,500
Rental income	79,597	93,037	-	-	-	-	-	-
Other revenues	2,924,572	3,147,168	4,578,393	3,474,114	3,264,050	1,873,556	2,078,045	2,415,809
Investment earnings	2,011,649	2,591,235	3,052,086	4,446,085	2,671,569	341,815	260,297	72,750
Transfers	(125,427)	272,701	(1,070,821)	201,611	771,708	1,377,666	5,143,402	(164,266)
<b>Total governmental activities</b>	<b>41,495,407</b>	<b>45,890,698</b>	<b>48,291,824</b>	<b>51,382,876</b>	<b>50,809,893</b>	<b>45,383,504</b>	<b>51,105,612</b>	<b>40,092,777</b>
Business-Type Activities:								
Other revenues	921,990	-	-	-	-	-	-	-
Investment earnings	25,477	56,132	114,890	75,421	73,597	-	10,990	-
Transfers	125,427	(272,701)	1,070,821	(201,611)	(771,708)	(1,377,666)	(4,020,809)	164,266
<b>Total business-type activities</b>	<b>1,072,894</b>	<b>(216,569)</b>	<b>1,185,711</b>	<b>(126,190)</b>	<b>(698,111)</b>	<b>(1,377,666)</b>	<b>(4,009,819)</b>	<b>164,266</b>
<b>Total primary government</b>	<b>\$ 42,568,301</b>	<b>\$ 45,674,129</b>	<b>\$ 49,477,535</b>	<b>\$ 51,256,686</b>	<b>\$ 50,111,782</b>	<b>\$ 44,005,838</b>	<b>\$ 47,095,793</b>	<b>\$ 40,257,043</b>
<b>Change in Net Assets before Extraordinary Item</b>								
Governmental Activities:	\$ (2,938,965)	\$ 3,756,077	\$ 11,144,281	\$ 10,776,333	\$ (3,192,507)	\$ (2,080,092)	\$ 3,642,016	\$ 1,205,658
Business-Type Activities:	10,359	2,240,236	(1,940,636)	(3,252,537)	(2,498,215)	11,038,537	8,406,384	177,736
<b>Total primary government</b>	<b>\$ (2,928,606)</b>	<b>\$ 5,996,313</b>	<b>\$ 9,203,645</b>	<b>\$ 7,523,796</b>	<b>\$ (5,690,722)</b>	<b>\$ 8,958,445</b>	<b>\$ 12,048,400</b>	<b>\$ 1,383,394</b>

Source: City Finance Department

**City of Montebello**  
**Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11**	2011-12
General Fund								
Reserved	\$ 185,579	\$ 579,809	\$ 36,598	\$ 1,783,752	\$ 2,391,211	\$ 207,933		
Unreserved	(185,579)	(579,809)	(36,598)	(1,783,752)	(2,391,211)	(6,890,081)		
Total general fund	<u>\$ -</u>	<u>\$ (6,682,148)</u>						
All Other Governmental Funds:								
Reserved	\$33,144,032	\$33,244,204	\$30,098,672	\$36,110,337	\$48,401,170	\$36,576,734		
Unreserved, designated reported in:								
Special revenue funds	-	-	-	-	-	1,938,666		
Capital projects funds	-	-	-	-	-	20,924,437		
Unreserved, undesignated reported in:								
Special revenue funds	6,664,883	6,419,209	3,068,370	(1,419,635)	(296,182)	2,916,347		
Capital projects funds	10,015,452	9,950,527	22,506,174	-	(1,262,713)	(1,164,517)		
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>	<u>\$46,842,275</u>	<u>\$61,191,667</u>		
General Fund								
Nonspendable							\$ 83,346	\$ 107,756
Restricted							-	-
Committed							-	-
Assigned							497,558	-
Unassigned							4,394,672	7,047,301
Total general fund							<u>\$ 4,975,576</u>	<u>\$ 7,155,057</u>
All Other Governmental Funds:								
Nonspendable							\$15,170,693	\$ 2,313,452
Restricted								
Debt service							19,520,813	5,918,851
Special revenue funds							7,219,900	20,478,029
Capital projects funds							24,991,784	1,464,215
Committed							-	-
Assigned							-	-
Unassigned							(14,421,751)	(159,133)
Total all other governmental funds							<u>\$52,481,439</u>	<u>\$30,015,414</u>

\*\* Beginning fiscal year 2010/2011, the City adopted GASB 54, fund balance reporting, which changes the fund balance classification in the governmental funds.

Source: City Finance Department

**City of Montebello**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**

Fiscal Year	Property Tax	Sales and Use Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Total Taxes
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
2011-12	23,636,827	10,847,400	297,679	1,221,311	1,765,267	37,768,484

Source: City Finance Department

**City of Montebello**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(rates are per \$1,000 of assessed value)**

Fiscal Year	City				Redevelopment Agency			
	Secured	Unsecured	Less: Exemptions (1)	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions (1)	Taxable Assessed Value
2002-03	\$ 1,875,713	\$ 107,852	\$ -	\$ 1,983,565	\$ 1,090,029	\$ 129,797	\$ -	\$ 1,219,826
2003-04	2,084,644	46,023	-	2,130,667	1,053,199	138,932	-	1,192,131
2004-05	2,217,252	46,025	-	2,263,277	1,055,781	113,718	-	1,169,499
2005-06	2,414,667	47,403	-	2,462,070	1,123,622	123,529	-	1,247,151
2006-07	2,727,566	50,953	93,652	2,684,867	1,264,726	128,026	29,089	1,363,663
2007-08	2,944,225	93,142	85,955	2,951,412	1,364,738	120,853	29,709	1,455,882
2008-09	3,126,247	93,224	90,524	3,128,947	1,490,281	128,875	32,670	1,586,486
2009-10	3,075,831	94,754	97,719	3,072,866	1,531,767	131,990	34,413	1,629,344
2010-11	2,909,045	93,069	42,730	2,959,384	1,525,849	139,638	5,950	1,659,537
2011-12	2,982,182	95,668	42,057	3,035,793	1,541,169	139,760	5,949	1,674,979

Source: Los Angeles County Assessor

**City of Montebello**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>City Direct Rate:</b>										
City basic rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Retirement	0.19788	0.19788	0.19788	0.19788	0.19788	0.19788	0.19788	0.19788	0.19788	0.19788
Total City Direct Rate	<u>1.19788</u>									
<b>Overlapping Rates:</b>										
L.A. County General	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
Montebello USD	0.03983	0.04076	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001
L.A. County Flood Control	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
Community College	0.01460	0.01986	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530
Totals	<u><u>1.26092</u></u>	<u><u>1.26605</u></u>	<u><u>1.26467</u></u>	<u><u>1.28876</u></u>	<u><u>1.29206</u></u>	<u><u>1.27798</u></u>	<u><u>1.30493</u></u>	<u><u>1.32202</u></u>	<u><u>1.33981</u></u>	<u><u>1.33689</u></u>

Source: Los Angeles County Assessor

**City of Montebello  
Principal Property Tax Payers  
Current Fiscal Year and Nine Fiscal Years Ago**

Taxpayer	2011-12			2002-03		
	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	\$ 173,920,106	1	3.64%	\$ -		0.00%
Plain Exploration and Production	125,265,456	2	2.63%	-		0.00%
Bimbo Bakeries, USA	70,578,849	3	1.48%	-		0.00%
So Cal Gas Company	55,412,512	4	1.16%	156,112,522	1	4.84%
Prologis California I LLC	41,080,216	5	0.86%	39,486,120	4	1.22%
Advanced Group 07 93	38,273,511	6	80.00%	-		
Excel Realty Partners, Ltd.	36,155,601	7	0.76%	33,002,971	6	1.02%
KIR Montebello LP	34,842,604	8	0.73%	25,642,844	8	0.80%
Amcor Pet Packaging USA	34,383,570	9	0.72%	-		0.00%
Macy's California Inc.	33,833,010	10	0.71%	-		0.00%
	<u>\$ 643,745,435</u>		<u>13.49%</u>	<u>\$ 254,244,457</u>		<u>7.88%</u>

Source: HdL Coren & Cone

**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
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	9,703,912	99.03%
2009-10	10,416,000	8,995,261	86.36%	474,808	9,470,069	90.92%
2010-11	10,095,367	8,683,277	86.01%	613,510	9,296,786	92.09%
2011-12	7,869,020 (a)	10,379,033 (b)	131.90%	- (c)	10,379,033	131.90%

Note (1) Negative number not included

(a) Excludes tax increment of the dissolved redevelopment agency.

(b) Includes retirement special tax assessment which used to be part of the tax increment of the former redevelopment agency.

(c) Information not available.

Source: Los Angeles County Auditor

**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		
2002-03	\$ 27,907,040	\$ 65,985,987	\$ 15,830,000	\$ 2,538,447	\$ 112,261,474	\$ 1,737
2003-04	26,972,500	64,736,819	15,490,000	2,792,949	109,992,268	1,686
2004-05	25,996,500	63,394,889	17,060,000	4,237,434	110,688,823	1,685
2005-06	24,977,860	61,956,272	16,785,000	10,327,648	114,046,780	1,741
2006-07	23,921,580	60,887,078	16,565,000	9,374,503	110,748,161	1,696
2007-08	22,817,660	65,708,636	16,400,000	9,313,087	114,239,383	1,751
2008-09	21,671,100	74,057,213	16,170,000	15,534,163	127,432,476	1,941
2009-10	25,450,000	71,779,239	15,895,000	15,273,662	123,415,981	1,886
2010-11	19,213,600	64,603,222	15,575,000	17,190,970	116,582,792	1,772
2011-12	18,351,480	- **	15,210,000	-	33,561,480	510

\*\* With the dissolution of the redevelopment agency, all outstanding debts related to the former redevelopment agency are now recorded under the Successor Agency Trust Fund.

Source: City Finance Department

**City of Montebello**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(in thousands except for Per Capita)**

Fiscal Year	Outstanding General Bonded Debt				Percent of Assessed Value(1)	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Revenue	Total		
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
2011-12	18,351	- (2)	15,210	33,559	0.74%	510

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

(2) With the dissolution of the redevelopment agency, all outstanding debts related to the former redevelopment agency are now recorded under the Successor Agency Trust Fund

Source: City Finance Department

**City of Montebello**  
**Direct and Overlapping Debt**  
**June 30, 2012**

City Assessed Valuation	\$4,754,778,042
Redevelopment Agenc Incremental Valuation	(1,537,493,021)
Total Assessed Valuation	<u>\$3,217,285,021</u>

	Percentage Applicable (1)	Total Outstanding Debt 6/30/12	City's Share of Overlapping Debt 6/30/12
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Los Angeles County Flood Control District	0.349%	\$ 37,195,000	\$ 129,811
Metropolitan Water District	0.178%	196,545,000	349,850
Los Angeles Community College District	0.613%	3,504,910,000	21,485,098
Rio Honda Community College District	0.001%	172,238,829	1,722
El Rancho Unified School District	0.004%	55,790,819	2,232
Los Angeles Unified School District	0.001%	11,279,905,000	112,799
Montebello Unified School District	36.294%	143,684,211	52,148,748
Los Angeles County Regional Park and Open Space Assessment District	0.347%	170,725,000	<u>592,416</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$ 74,822,676</u></b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Los Angeles County General Fund Obligation	0.347%	1,474,122,758	5,115,206
Los Angeles County Superintendent of Schools Certificates of Participation	0.347%	11,269,678	39,106
Los Angeles County Sanitation District No. 2 Authority	8.099%	30,522,672	2,472,031
Los Angeles County Sanitation District No. 15 Authority	0.383%	31,243,680	119,663
Los Angeles Unified School District Certificates of Participation	0.001%	419,851,037	4,199
Montebello Unified School District Certificates of Participation	36.294%	12,690,000	4,605,709
<b>City of Montebello General Fund Obligation</b>	<b>100.000%</b>	<b>38,170,000</b>	<b><u>38,170,000</u></b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b>50,525,914</b>
Less: Los Angeles Country General Fund Obligations supported by landfill revenues			(57,943)
Los Angeles Unified School District Qualified Zone Academic Bonds supported by building fund			(44)
City of Montebello Obligations supported from surplus tax increment and golf and hotel revenues			<u>(19,775,452)</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b><u>\$ 30,692,475</u></b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b><u>\$125,348,590</u></b>
<b>NET COMBINED TOTAL DEBT</b>			<b><u>\$105,515,151</u></b>

Source: HdL Coren & Cone

**City of Montebello  
Legal Debt Margin Information  
Last Ten Fiscal Years**

	Fiscal Year				
	2002-03	2003-04	2004-05	2005-06	2006-07
Assessed valuation	\$12,813,583,420	\$13,291,191,988	\$13,815,823,508	\$14,836,885,928	\$16,194,120,900
Conversion Percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	\$ 3,203,395,855	\$ 3,322,797,997	\$ 3,453,955,877	\$ 3,709,221,482	\$ 4,048,530,225
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	\$ 480,509,378	\$ 498,419,700	\$ 518,093,382	\$ 556,383,222	\$ 607,279,534
Legal debt margin	<u>\$ 480,509,378</u>	<u>\$ 498,419,700</u>	<u>\$ 518,093,382</u>	<u>\$ 556,383,222</u>	<u>\$ 607,279,534</u>

	Fiscal Year				
	2007-08	2008-09	2009-10	2010-11	2011-12
Assessed valuation	\$17,629,172,176	\$18,861,572,384	\$18,808,841,532	\$19,358,675,984	\$19,019,112,168
Conversion Percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	\$ 4,407,293,044	\$ 4,715,393,096	\$ 4,702,210,383	\$ 4,839,668,996	\$ 4,754,778,042
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	\$ 661,093,957	\$ 707,308,964	\$ 705,331,557	\$ 725,950,349	\$ 713,216,706
Legal debt margin	<u>\$ 661,093,957</u>	<u>\$ 707,308,964</u>	<u>\$ 705,331,557</u>	<u>\$ 725,950,349</u>	<u>\$ 713,216,706</u>

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed value. However, this provision was enacted when assessed valuation was based upon 25% of market value. 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**

Fiscal Year	Golf Revenue Bonds						
	Gross Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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%
2011-12	2,321,581	(2,567,019)	(245,438)	192,880	193,653	386,533	-63.50%

Source: City Finance Department

**City of Montebello**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

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Fiscal Year	Population	Personal Income (in millions)	Capita Personal Income	Unemployment Rate
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	1,262	19,187	14.10%
2011-12	62,857	1,272	20,230	13.70%

Source: Population: California Department of Finance  
Unemployment Data: California Employment Development Department

**City of Montebello  
Principal Employers  
Current Fiscal Year and Ten Fiscal Years Ago**

Employer	2011-12		2001-02	
	Employees	Percent of Total Employment *	Employees	Percent of Total Employment *
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%	1430	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
<b>Total Top Ten</b>	<b>12,062</b>	<b>0.2823%</b>	<b>6,700</b>	<b>N/A</b>
<b>Total Employment *</b>	<b>4,271,900</b>			

\* 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**  
**Full-Time and Part-Time City Employees by Function**  
**Last Nine 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	2011-12
General Government	53	42	43	47
Public Safety	197	182	182	167
Public Works	15	12	12	14
Parks and Recreation	115	123	123	115
Economic Development	6	7	7	-
Transit	215	217	217	212
Totals	601	583	584	555

The City of Montebello has elected to show only nine years of data for this schedule. Information prior to 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:				As of Sept.	As of June	As of June		As of June		
Arrests	2,859	3,061	2,985	1,974	1,205	2,630	2,598	2,702	2,621	2,093
Traffic violations	18,935	18,604	18,675	13,569	11,095	5,139	4,900	6,862	2,467	2,968
Parking violations	12,157	13,488	13,965	10,402	8,281	16,319	20,018	19,413	22,661	20,448
Fire:				As of Dec. 1	As of sept. 27	As of Dec. 19				
Number of calls answered	4,465	4,726	4,981	4,570	3,682	4,610	4,165	5,037	4,891	4,977
Inspections conducted	2,451	2,643	1,834	1,155	875	1,560	1,616	1,320	1,160	728
Public Works:										
Street resurfacing (miles)	2.01	0.90	3.36	3.43	1.60	1.10	4	14.16	15.15	1.60
Sidewalk repairs (sq ft)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31,930	32,281	25,997
Potholes repaired	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,352	3,010
Storm drains cleaned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,702	0
Parks and Recreation:										
Number of recreation classes	N/A	122	196	214	139	290	167	68	190	210
Number of facility rentals	N/A	200	196	As of Dec. 1 202	As of Oct. 278	As of June 46	44	2,660	854	689

Source: City Finance Department

**City of Montebello**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Police:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works:										
Street (miles)	125	125	125	125	125	125	125	125	125	125
Street Lights	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682
Traffic Signals	79	79	79	79	80	80	80	81	81	81
Parks and Recreation:										
Parks	7	7	7	7	7	7	7	7	7	7
Community Centers	-	-	-	-	-	-	-	-	-	-

Source: HdL Coren & Cone  
Los Angeles County Assessor

