

# City of Montebello, California

## Comprehensive Annual Financial Report

Fiscal Year Ended  
June 30, 2014



# CAFR





CITY OF MONTEBELLO  
CALIFORNIA

[www.cityofmontebello.com](http://www.cityofmontebello.com)

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014

PREPARED BY  
FINANCE DEPARTMENT



**Comprehensive Annual Financial Report**  
**City of Montebello, California**  
*Year ended June 30, 2014*  
*with Report of Independent Auditors*



	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i
Organizational Chart	vii
City Officials	viii
<b>FINANCIAL SECTION</b>	
<b>Report of Independent Auditors</b>	1
<b>Management’s Discussion and Analysis</b>	4
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	23
Statement of Activities	24
<b>Fund Financial Statements</b>	
Governmental Funds:	
Balance Sheet	25
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	26
Statement of Revenues, Expenditures, and Changes in Fund Balances	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
<b>Proprietary Funds</b>	
Statement of Net Position	29
Statement of Revenues, Expenses, and Changes in Net Position	30
Statement of Cash Flows	31
<b>Fiduciary Fund</b>	
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	33
<b>Notes to Financial Statements</b>	34
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedules of Funding Progress	77
CalPERS Miscellaneous Employees Plan	
CalPERS Safety Employees Plan	
Other Postemployment Benefits Plan	
Budgetary Comparison Schedule	
General Fund	78
Retirement Special Revenue Fund	80
Housing Special Revenue Fund	81
Public Financing Authority Debt Service Fund	82
Note to Required Supplementary Information	83

	<u>PAGE</u>
<b>SUPPLEMENTARY SCHEDULES</b>	
<b>Other Governmental Funds</b>	
Description of Other Governmental Funds	84
Combining Balance Sheet	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86
 <b>Other Special Revenue Funds</b>	
Description of Other Special Revenue Funds	87
Combining Balance Sheet	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Gas Tax Special Revenue Fund	97
Supplemental Law Enforcement Special Revenue Fund	98
Park Development Special Revenue Fund	99
Prop A Special Revenue Fund	100
Drug Enforcement Special Revenue Fund	101
Prop C Special Revenue Fund	102
Measure R Special Revenue Fund	103
Metro Station Special Revenue Fund	104
Air Quality Special Revenue Fund	105
Local Law Enforcement Special Revenue Fund	106
Justice Assistance Grants Special Revenue Fund	107
Grants Special Revenue Fund	108
Community Development Block Grant Special Revenue Fund	109
HOME Special Revenue Fund	110
TDA Article 3 Special Revenue Fund	111
 <b>Debt Service Funds</b>	
Description of Debt Service Funds	112
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
City Debt Service Fund	113
 <b>Capital Projects Fund</b>	
Description of Capital Projects Fund	114
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Capital Improvements Capital Projects Fund	115
 <b>Other Enterprise Funds</b>	
Description of Other Enterprise Funds	116
Combining Statement of Net Position	117
Combining Statement of Revenues, Expenses, and Changes in Net Position	118
Combining Statement of Cash Flows	119

	<u>PAGE</u>
<b>Internal Service Funds</b>	
Description of Internal Service Funds	120
Combining Statement of Net Position	121
Combining Statement of Revenues, Expenses, and Changes in Net Position	122
Combining Statement of Cash Flows	123
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
Description of Statistical Section Contents	124
Financial Trends	
Net Position by Component - Last Ten Fiscal Years	125
Change in Net Position - Expenses and Program Revenues - Last Ten Fiscal Years	126
Change in Net Position - General Revenues - Last Ten Fiscal Years	127
Fund Balances of Governmental Funds - Last Ten Fiscal Years	128
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years	129
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	130
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	131
Principal Property Taxpayers – Current Year and Nine Fiscal Years Ago	132
Property Tax Levies and Collections – Last Ten Fiscal Years	133
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	134
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	135
Direct and Overlapping Debt	136
Legal Debt Margin Information - Last Ten Fiscal Years	137
Pledged Revenue Bond Coverage:	
Golf Revenue Bonds - Last Ten Fiscal Years	138
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	139
Principal Employers - Current Fiscal Year and Ten Fiscal Years Ago	140
Operating Information	
Full-Time and Part-Time City Employees by Function - Last Ten Fiscal Years	141
Operating Indicators by Function - Last Ten Calendar Years	142
Capital Asset Statistics by Function - Last Ten Fiscal Years	143

(This page intentionally left blank.)

## **INTRODUCTORY SECTION**

(This page intentionally left blank.)



# CITY OF MONTEBELLO

January 27, 2015

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, 2014 is submitted as prepared by the City's Finance Department. The report is published to provide the public, the City Council, and the 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 auditors', Vasquez & Company LLP, opinion letter, the general purpose financial statements, and the relevant supplemental financial statements and schedules for Fiscal Year 2013-14. 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 5 Freeway to the south, the Pomona 60 Freeway to the north, and the San Gabriel River 605 Freeway to the east. The City has a population of approximately 63,527 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 2013-2014 assessed valuation of \$5.0 billion represents an increase of 3.8 percent over last year. Increases during the past five years have averaged 3.6 percent. The Consumer Price Index for the Los Angeles-Riverside-Orange County area increased 1.4 percent over 2012-13. Sales tax revenue of \$11.7 million for FY 2013-14 reflects an increase of 3.2 percent when compared to FY 2012-13.

Sales tax is a major revenue source for the General Fund of 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, major paper products\distributors and two auto dealerships: Chevrolet of Montebello, and Ford of Montebello.

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

On June 28, 2011, the Governor of the State of California signed Assembly Bills 1x26 ("AB 1x26") and AB 1x27 as part of the State's budget package. AB 1x26 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. AB 1x27 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 AB 1x26 and AB 1x27. The Court upheld AB 1x26 in its entirety, but invalidated AB 1x27. The result was the dissolution of all redevelopment agencies in the state effective February 1, 2012, in accordance with AB 1x26 procedures. As relevant here, AB 1x26 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.

AB 1x26 (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 Dissolution Act and its interpretation by the State Department of Finance (DOF) are being litigated by many cities in the state, Montebello included. The issue(s) surrounding this litigation primarily focuses on the DOF's interpretation of what is an enforceable obligation.

In its budget, the State has recognized that there are over 100 lawsuits challenging various aspects of the Dissolution Act and recognize that some, if not all, of the challenges may result in a negative outcome for the state, and positive outcome for the cities challenging those aspects. The City of Montebello is one of the cities challenging various aspects of 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, the Annual Budget Resolution 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.

## **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 employees are covered by a voter approved levy.

## **DEBT ADMINISTRATION**

At June 30, 2014, the City had general long-term debt amounting to \$65.7 million, which is detailed in the Notes to the Financial Statements. This includes \$20.7 million for Certificates of Participation, \$14.4 million for Revenue Bonds, and \$30.7 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.

## **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, 2013, 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 Administrator 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 cooperation of Vazquez & Company LLP, in completing the CAFR.

We thank 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.

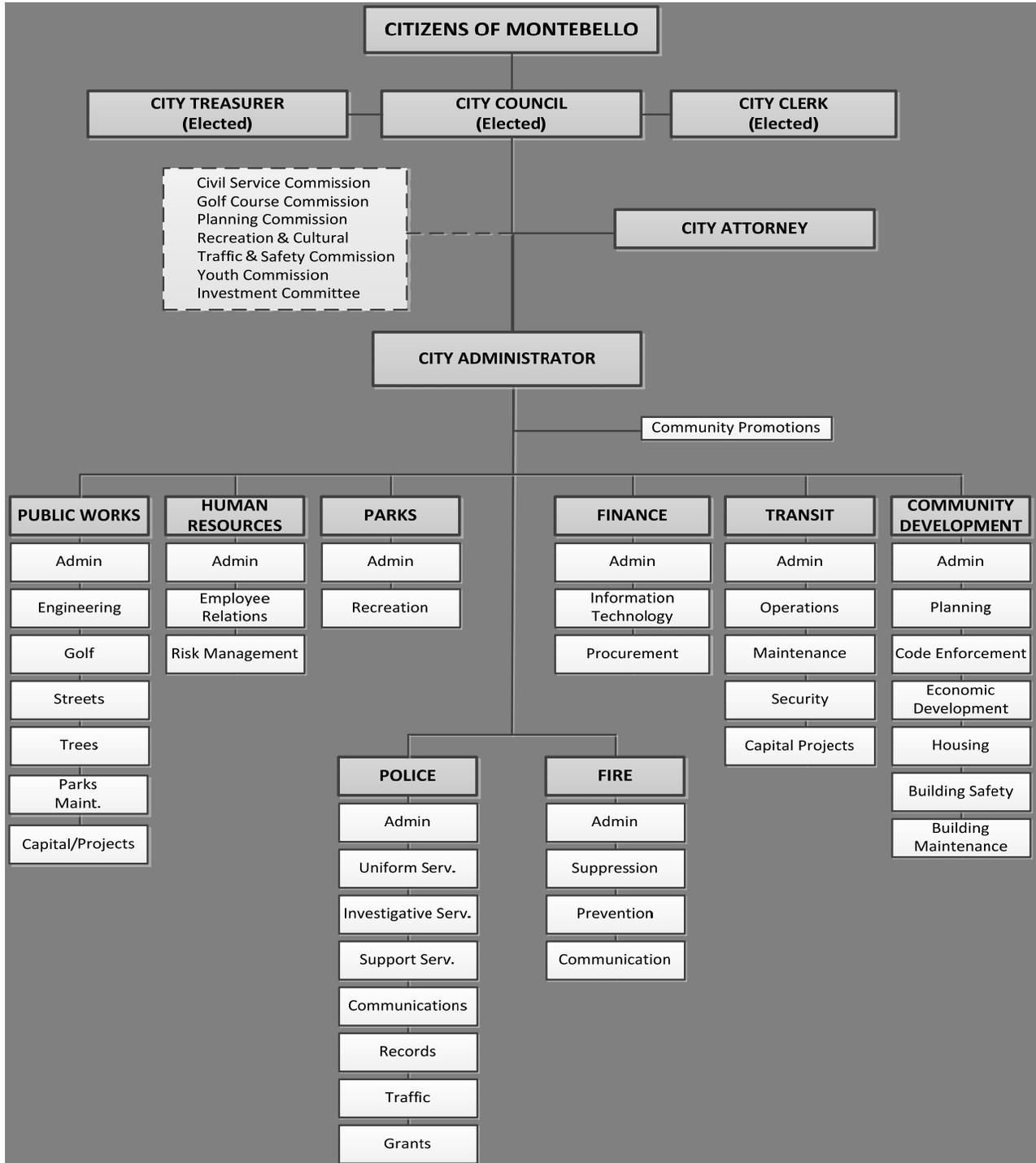
Respectfully submitted,

*Francesca Tucker-Schuyler*  
City Administrator

*David Kim*  
Finance Director



# City of Montebello - Organization Chart



# Directory of City Officials

## City Council

William M. Molinari - Mayor  
Jack Hadjinian - Mayor Pro Tem  
Art Barajas - Councilmember  
Christina Cortez - Councilmember  
Vivian Romero - Councilmember

## Elected Officials

City Treasurer  
City Clerk

Sheraly Khwaja  
Daniel Hernandez

## Principal Administrative Officers

City Administrator  
Police Chief  
Fire Chief  
Director of Community Development  
Director of Transportation  
Director of Public Works  
Director of Finance  
Assistant Director of Parks and Recreation

Francesca Schuyler  
Kevin McClure  
Dominic Hebert  
Alex Hamilton  
Aurora Jackson  
Danilo Batson  
David Kim  
Martha Balderrama

**FINANCIAL SECTION**

(This page intentionally left blank.)

## **INDEPENDENT AUDITOR'S REPORT**

**The Honorable Mayor and the Members of the City Council  
City of Montebello, California**

### ***Report on the Financial Statements***

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, 2014, and the related notes to financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(This page intentionally left blank.)



## ***Opinion***

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, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 22, and the budgetary comparison information and Schedule of Funding Progress of pension and other postemployment benefit plans on pages 77 through 82 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.

### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

(This page intentionally left blank.)



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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the City of Montebello'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 results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Montebello's internal control over financial reporting and compliance.

*Vasquez + Company LLP*

**Los Angeles, California  
January 27, 2015**

(This page intentionally left blank.)

The following section represents Management's Discussion and Analysis (MD&A). It is intended to provide narrative overview and analysis on the City's financial performance for the fiscal year ended June 30, 2014. To get a better understanding of the City's overall financial position, readers are encouraged to consider the information presented here in conjunction with the accompanying letter of transmittal, basic financial statements, and other information available on the City's website at [www.cityofmontebello.com](http://www.cityofmontebello.com).

### **Overview of the 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. The Statistical section at the end of this report provides other supplementary information in addition to the basic financial statements. Government-wide Financial Statements are prepared using accrual accounting method to demonstrate the City's operational accountability, while the Fund Financial Statements are based on modified-accrual accounting method to demonstrate its budgetary accountability. Reconciliations of the Fund Financial Statements to the Government-wide Financial Statements are provided to explain to readers the differences created by this integrated approach.

### **Government-wide financial statements**

The Government-wide Financial Statements provide 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 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 Position 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 position 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 1X26 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 external 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 long term 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 include the assets and liabilities of 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 notes to financial statements.

### **Financial Highlights**

#### **Government-wide**

- At June 30, 2014, the total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows by \$116.5 million.
- The City's total long term debt increased by \$148 thousand (0.2%) as a result of an increase in the City's postemployment benefit obligations.
- At the close of FY 2013-14, the City's governmental activities reported combined ending net position of \$70.7 million, an increase of 0.3% over 2012-13.
- Primary government program revenues totaled at \$59.4 million, while general revenues totaled at \$35.1 million, net of transfers.

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2014**

- The City's Hilton Hotel Fund ended the fiscal year with \$1.2 million in net income before transfers and its net position increased by \$811 thousand during fiscal year 2013-2014.

**Fund Accounting**

- The City's General Fund revenue, other financing sources (uses), and special items exceeded expenditures by \$464 thousand in the fiscal year 2014.

These Financial Highlights, as well as other points, are discussed in greater detail in the body of this discussion and analysis.

**Government-wide Financial Analysis**

The government-wide financial statements provide both 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 statement of net position includes all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City's net position is a useful measurement of its financial health. Net position can be tracked over time to assess whether the City's financial health is improving or deteriorating.

City of Montebello  
Statement of Net Position  
June 30  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 56,143	\$ 56,324	\$ 5,678	\$ 7,849	\$ 61,821	\$ 64,173
Capital assets	<u>77,227</u>	<u>78,087</u>	<u>59,428</u>	<u>61,004</u>	<u>136,656</u>	<u>139,091</u>
Total assets	<u>133,370</u>	<u>134,411</u>	<u>65,106</u>	<u>68,853</u>	<u>198,476</u>	<u>203,264</u>
<b>Deferred outflows of resources</b>	<u>117</u>	<u>168</u>	<u>-</u>	<u>-</u>	<u>117</u>	<u>168</u>
<b>Liabilities:</b>						
Long-term liabilities	58,763	59,268	6,948	6,295	65,711	65,563
Other liabilities	<u>4,027</u>	<u>4,826</u>	<u>12,339</u>	<u>15,122</u>	<u>16,366</u>	<u>19,948</u>
Total liabilities	<u>62,790</u>	<u>64,094</u>	<u>19,285</u>	<u>21,417</u>	<u>82,076</u>	<u>85,511</u>
<b>Net Position:</b>						
Net investment in capital assets	55,213	54,637	53,562	55,754	108,776	110,391
Restricted	29,141	20,219	1,017	302	30,158	20,521
Unrestricted	<u>(13,657)</u>	<u>(4,371)</u>	<u>(8,759)</u>	<u>(8,620)</u>	<u>(22,416)</u>	<u>(12,991)</u>
Total net position	<u>\$ 70,697</u>	<u>\$ 70,485</u>	<u>\$ 45,821</u>	<u>\$ 47,436</u>	<u>\$ 116,518</u>	<u>\$ 117,921</u>

As mentioned in the financial highlights, the City's net position was \$116.5 million as of June 30, 2014. This is a \$1.4 million (1.2%) decrease compared to fiscal year 2013. Net assets decreased primarily in Accounts Receivable of the Transit Fund, which related to the purchase of buses in fiscal year 2013.

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2014**

\$108.8 million (93%) of the City's net position reflects its net investments in capital assets (e.g. land, building, machinery and equipment, infrastructure, improvements other than buildings, and construction in progress); less any related debt used to acquire those assets that are still outstanding. Capital assets, net of accumulated depreciation, decreased by \$2.4 million (1.8%), primarily due to added depreciation on capital assets added in the prior fiscal year. This increase in depreciation also resulted in corresponding decrease in Net Investment in Capital Assets, hence decreasing the total net position.

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. Any remaining amount is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. Capital assets are discussed in greater details under Capital Assets section of MD&A, and under Note 3 of the Financial Statements.

City of Montebello  
Summary of Changes in Net Position  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 12,803	\$ 11,218	\$ 16,015	\$ 14,110	\$ 28,819	\$ 25,328
Operating grants and contributions	8,045	8,520	19,726	18,834	27,771	27,354
Capital grants and contributions	-	-	2,765	7,778	2,765	7,778
General revenues:						
Sales taxes	11,726	11,363	-	-	11,726	11,363
Property taxes	14,932	15,450	-	-	14,932	15,450
Other taxes	7,172	6,729	-	-	7,172	6,729
Other revenues	2,036	2,240	-	-	2,036	2,240
Investment earnings	50	54	10	-	60	54
<b>Total revenues</b>	<b>56,764</b>	<b>55,574</b>	<b>38,516</b>	<b>40,722</b>	<b>95,280</b>	<b>96,296</b>
<b>Expenses</b>						
General government	3,869	3,397	-	-	3,869	3,397
Public safety	33,377	31,737	-	-	33,377	31,737
Public works	7,064	6,223	-	-	7,064	6,223
Parks, culture, and recreation	4,943	5,184	-	-	4,943	5,184
Housing and community development	4,046	2,043	-	-	4,046	2,043
Transit	-	-	30,850	28,191	30,850	28,191
Golf course	-	-	2,965	3,016	2,965	3,016
Montebello Hilton	-	-	4,302	3,558	4,302	3,558
Water utility	-	-	2,364	2,082	2,364	2,082
Detention facility	-	-	442	433	442	433
Interest on long-term debt	1,254	1,955	-	-	1,254	1,955
Unallocated infrastructure depreciation	705	705	-	-	705	705
<b>Total expenses</b>	<b>55,258</b>	<b>51,244</b>	<b>40,924</b>	<b>37,280</b>	<b>96,182</b>	<b>88,523</b>
Change in net position before transfers	1,506	4,331	(2,408)	3,442	(901)	7,773
<b>Transfers</b>	<b>(792)</b>	<b>602</b>	<b>792</b>	<b>(602)</b>	<b>-</b>	<b>-</b>
Change in net position after transfers and before extraordinary items	714	4,933	(1,615)	2,840	(901)	7,773
<b>Extraordinary item</b>	<b>(502)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(502)</b>	<b>-</b>
Change in net position after extraordinary item	212	4,933	(1,615)	2,840	(1,403)	7,773
<b>Net position - beginning of year, as restated</b>	<b>70,485</b>	<b>65,552</b>	<b>47,436</b>	<b>44,596</b>	<b>117,921</b>	<b>110,148</b>
<b>Net position - end of year</b>	<b>\$ 70,697</b>	<b>\$ 70,485</b>	<b>\$ 45,821</b>	<b>\$ 47,436</b>	<b>\$ 116,518</b>	<b>\$ 117,921</b>

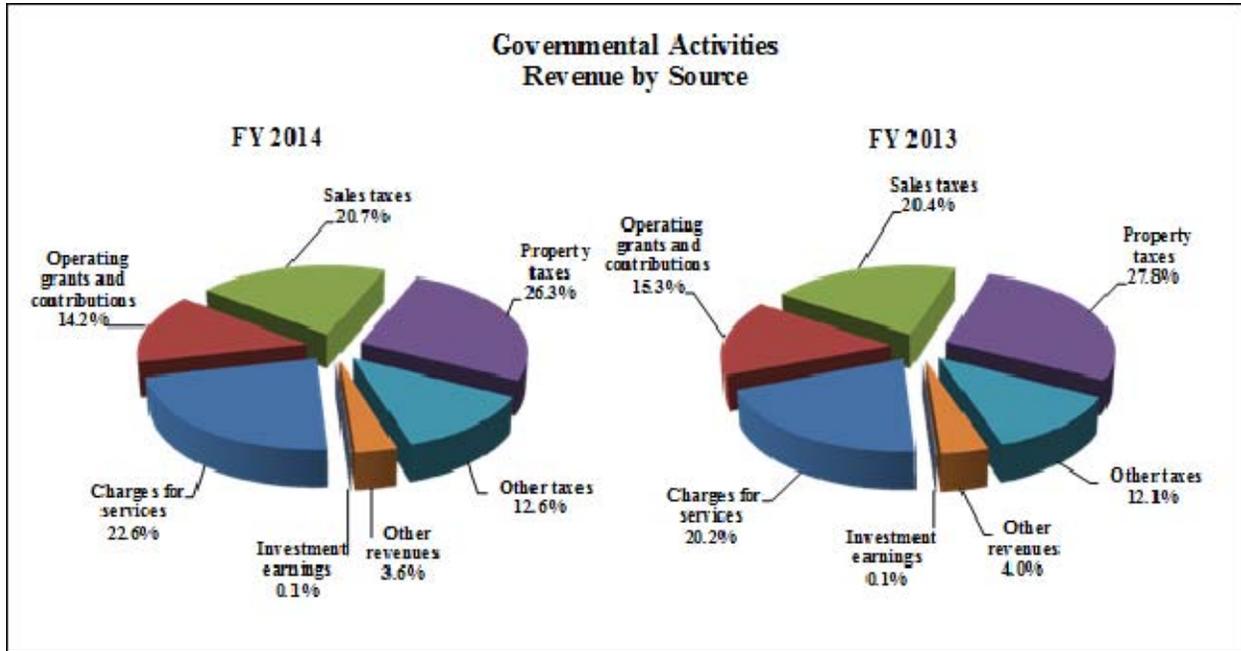
The key elements impacted the City's net position for the fiscal year ended June 30, 2014 are as follows:

- Total revenues from the City's governmental and business-type activities were \$95.3 million, a decrease of \$1 million (1.1%) compared to the preceding fiscal year. Total citywide expenses before transfer increased by \$7.6 million (8.7%).
- Revenues are classified into program and general revenues. Program revenues, which are used to offset program expenses under each functional activity, made up 62.3% of total citywide revenues for the current fiscal year. General revenues, which are used to offset the additional expenses net of program revenues, made up the remaining 37.7% of total revenues.
- Governmental activities net position increased by \$212 thousand (0.3%), mainly due to increase in revenues offsetting increase in expenses. Business-type activities net position decreased by \$1.6 million (3.4%), primarily due to decrease in capital grants provided to Transit operations.
- The overall decrease of 1.1% in total revenues for the City was mainly caused by significant decrease in capital grants (64.5%). During 2014, the City Transit Fund reduced its capital funding. Approximately \$4 million in capital grants were received in 2013 for a one-time purchase of 7 CNG buses. The grants for the purchase of these assets were received in 2013-14.
- The largest City-wide revenues came from 3 sources: charges for services (e.g. Business License Fees, Building Permits and Bus Fares) at \$28.8 million (30.2%), Operating grants and contributions (e.g. various grants from the Transportation Development Act (TDA), allocations of funds derived from Proposition A, C, and Measure R as well as funds contributed from the Justice Department and US Treasury) at \$27.8 million (29.1%), and finally Property Taxes at \$14.9 million (15.7%). Property Taxes include the Property Taxes derived from the 1946 voter approved initiative to provide for the retirement benefit costs of City employees.
- Revenue from charges for services increased by \$3.5 million (13.8%), while operating grants and contributions increased by \$417 thousand (1.5%). Investment income increased by 11.1% due to diversification in City's investment portfolio. Property taxes decreased by \$518 thousand (3.4%).
- The City's total expenses for the year increased by \$7.7 million (8.7%), primarily due to increase in Housing and Community Development (\$2 million), Transit (\$2.7 million), and Public Safety (\$1.6 million). The main reasons for the increase in the expenses are further discussed under governmental activities and business activities analysis.
- Public Safety accounted for 34.7% of total citywide expenses, while Transit's share was 32.1% of total citywide expenses. Public Works expenses were 7.3% of total citywide expenses.

**Governmental Activities**

As reflected in the Summary of Changes in Net Position schedule above, Governmental activities increased the City's net position by \$212 thousand (0.3%). Key factors of this change in governmental activities include the following based on the government-wide statement of activities.

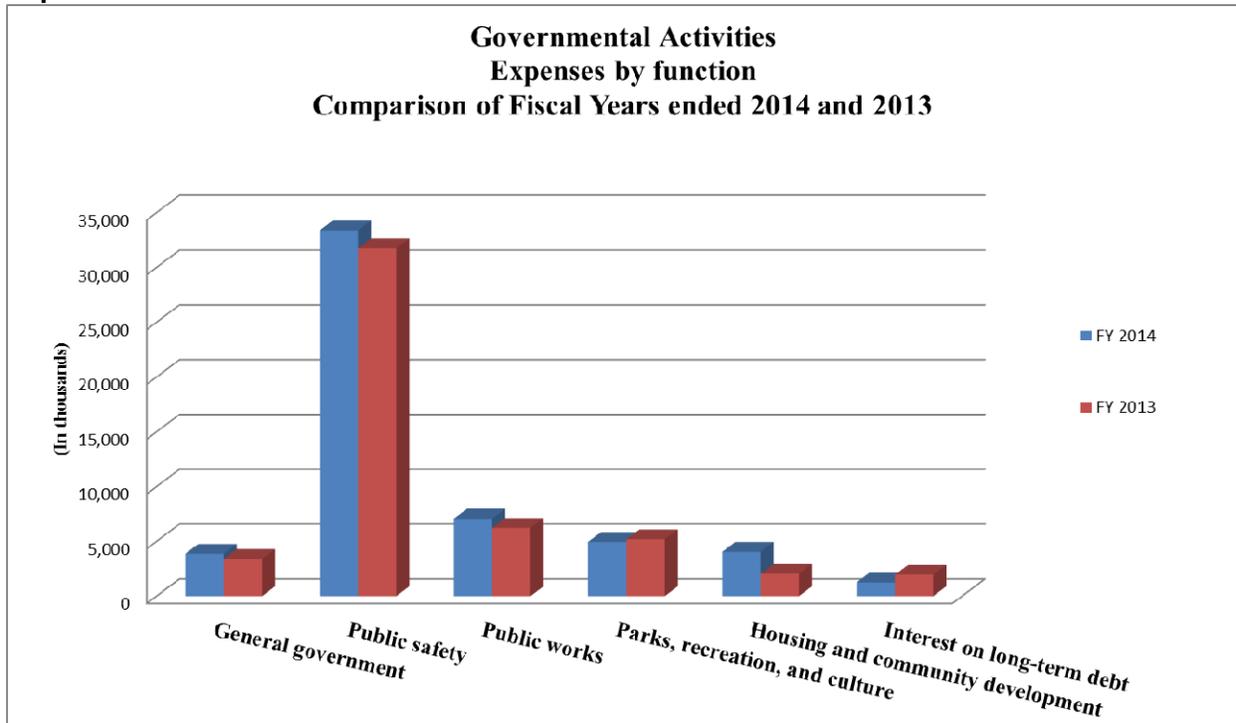
**Revenues:**



- Total governmental activities revenues increased by \$1.2 million (2.1%), 69.5% of which derived from property taxes, charges for services, and sales taxes.
- Property tax revenues made up the largest portion of total governmental activities revenues (26.3%). Property tax revenues decreased by approximately \$518 thousand (3.4%) from 2013. During the current fiscal year, the City received significantly less in Property Tax Administrative Settlement fee from the County compared to prior fiscal year (approximately \$600 thousand), since a substantial portion from this settlement has been paid off in prior years.
- Charges for services were the second largest revenue source (22.6%) for governmental activities. Charges for services in governmental funds include: licenses and permits, fines and forfeitures, waste collection, etc. Compared to prior fiscal year, this program revenue increased by \$1.6 million (14.1%), primarily a result of higher collection in plan check fees, paramedic service fees, and waste collection fees.

- Sales taxes were the third largest source of revenue for governmental activities (20.7%). Sales Tax increased by \$363 thousand (3.2%), compared to a 4.8% increase in 2013. This was mainly due to increased retail sales. The lower growth rate in sales taxes, according to a study by the Legislative Analyst's Office on May 5, 2014, indicates that consumers were spending more money on services than taxable goods.

**Expenses:**



Governmental activities expenses increased by approximately \$4 million (7.8%) from FY 2013.

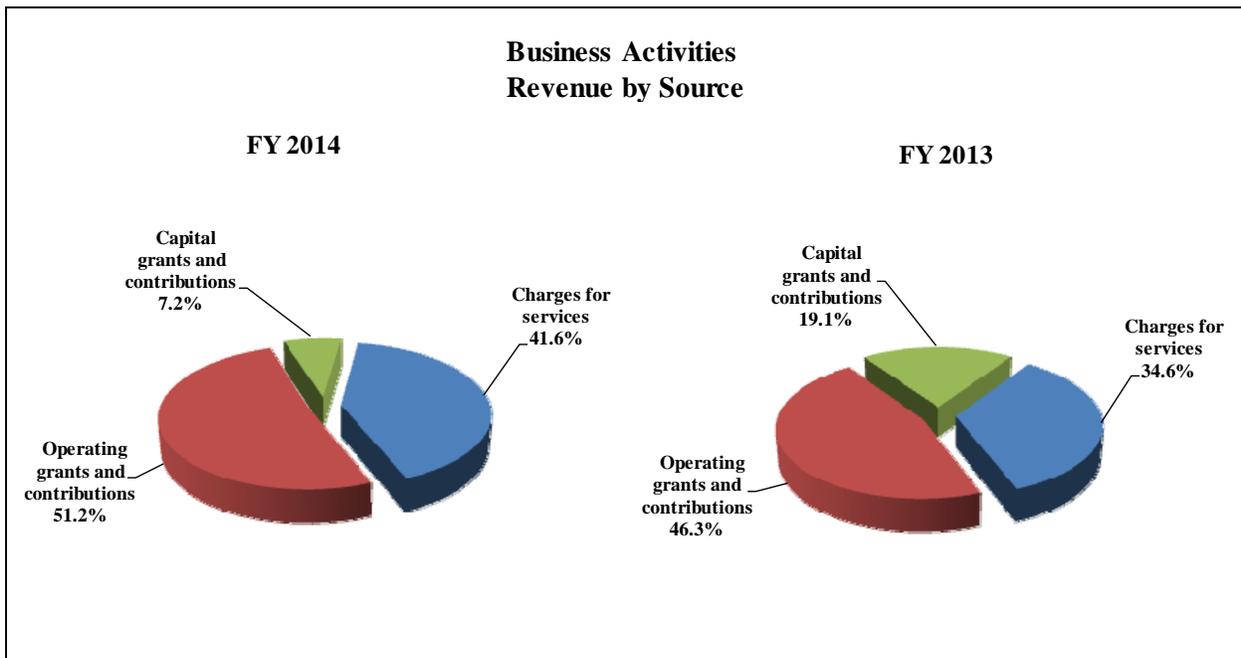
- Increases in Housing and Community Development expenses are the direct result of the City bearing more of the responsibility in this area because of the dissolution of redevelopment agencies in 2012.
- Public Safety expense increased primarily as a result of the increase in the City's retirement contribution for Safety personnel.
- Public Works Expenses increased as a result of the City focusing in on repairs and improvements to the City's infrastructure, which were neglected in prior years due to the recession.
- Interest on long-term debt decreased by \$701 thousand (35.8%), due to the decrease in principal outstanding.

**Business-type Activities**

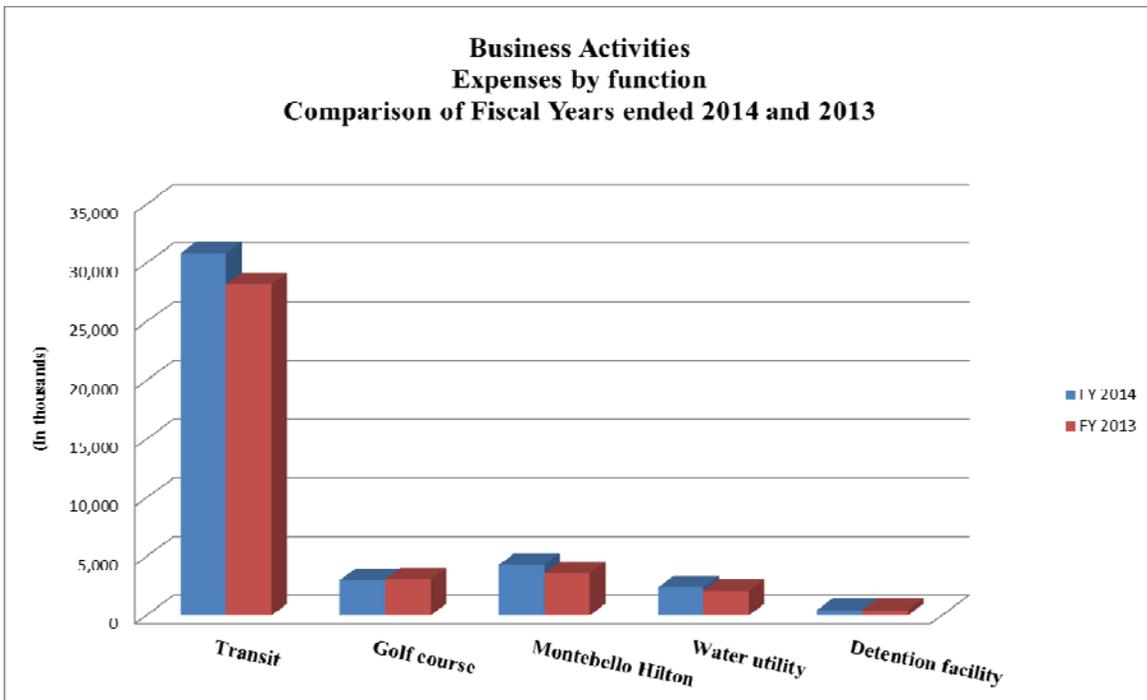
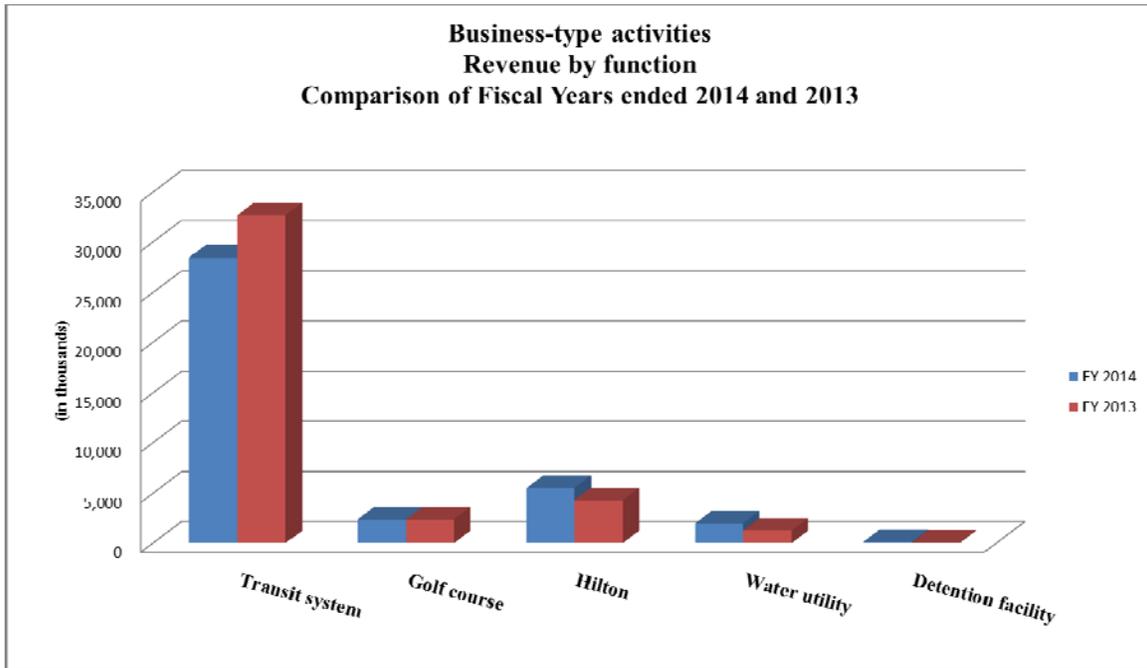
The City operates 5 business-type activities: Transit System, Golf Course, Montebello Hilton Hotel, Water Utility, and Detention Facility. The City's Transit System is the largest business-type operation, followed by the Montebello Hilton Hotel and the Golf Course.

Business-type activities decreased the City's net position after extraordinary items by \$1.6 million. The following key elements impacted business-type activities for the current fiscal year. Activities under separate business operations are discussed in further detail under fund financial analysis.

Total revenues for business-type activities were \$38.5 million, compared to \$40.7 million in the previous fiscal year, constituting a 5.4% decrease. The decrease is primarily a result of a fiscal year 2013 one time receipt of Federal Capital Grants received by the City Transit System for the purchase of CNG buses.



Approximately 41.6% of revenue came from Charges for Services, which is generated from bus fares, special contracts, revenue from hotel fees and golf course green fee charges, while the remaining 58.4% comes from State and Federal subsidies. Revenue generated from services was \$1.9 million (13.5%) higher than fiscal year ended 2013, however, the State and Federal subsidies decreased by \$4.1 million (15.5%) for fiscal year ended June 30, 2014, which contributed to the net position decrease. Transit expenses increased by 9.4% due to additional liability claims, which required additional funding to the City's Self Insurance Fund during the fiscal year.



- The City's Golf Course generated \$4 thousand less in revenues for the fiscal year ended June 30, 2014 compared to last year. Operating expenses decreased by \$78 thousand for the year. Overall, Golf course net position decreased by \$180 thousand for the year, as compared to \$132 thousand for fiscal year ended 2013. The City anticipates an increase in the golf course's net position in ensuing years as improvements have been made to the clubhouse and banquet facilities.
- The Montebello Hilton reflected net income before net transfers for debt service and equipment reserve obligations of \$1.2 million for fiscal year 2014, a 60% increase compared to last year. Operating revenues increased by \$1.2 million, while operating expenses increased by approximately \$716 thousand over the same period last year. The 27.9% increase in operating revenue is mainly due to higher room rates and occupancy rate. Occupancy rates increased as a result of the improving economy and the hotel operators efforts in attracting new clients, as well as the renovations made to the hotel's lobby.

### **Governmental Funds Financial Analysis**

*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 \$37.6 million, a decrease of \$2.2 million (5.6%) as compared with the prior fiscal year. All governmental fund balances are either nonspendable, restricted, assigned, or unassigned pursuant to GASB 54. Nonspendable indicates they are fund balances tied to inventories, prepaid expenses 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.

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2014**

City of Montebello General Fund As of June 30 (In thousands)				
			Change	
	2014	2013	Amount	%
Operating revenues	\$ 39,386	\$ 38,117	\$ 1,269	3%
Operating expenditures	46,591	43,337	3,254	8%
Excess of revenues over (under) expenditures	(7,205)	(5,220)	(1,985)	38%
Net operating transfers	7,668	6,131	1,537	25%
Surplus	464	911	(447)	-49%
Beginning fund balance	8,066	7,155	911	13%
Ending fund balance	\$ 8,530	\$ 8,066	\$ 464	6%

General Fund is the City's main operating fund. It is used to account for revenues and expenditures necessary to perform basic government functions that are not accounted for through other special revenue and grant funds.

In fiscal year 2014, the General Fund ended the year with a surplus of \$464 thousand compared to a surplus of \$912 thousand in fiscal year 2012-2013. General fund revenues increased by \$1.3 million (3%), as well as exceeded the final budget by \$1.5 million.

City of Montebello General Fund As of June 30 (in thousands)					Variance with Final Budget		Variance with Prior Year	
Budgeted Amounts		2014 Actual	Positive (Negative)	2013 Actual				
Original	Final							
<b>Revenues</b>								
Sales taxes	\$ 11,000	\$ 11,000	\$ 11,726	\$ 726	\$ 11,363	\$ 363		
Property taxes	4,570	4,570	6,362	1,792	6,624	(262)		
Other taxes	430	430	474	44	364	109		
Franchise taxes	1,300	1,300	1,304	4	1,158	145		
Licenses and permits	5,046	5,046	4,618	(428)	4,665	(47)		
Fines and forfeitures	1,722	1,722	1,775	53	1,802	(27)		
Investment income	10	10	18	8	11	7		
Intergovernmental	5,232	5,232	5,397	165	5,207	190		
Charges for services	7,126	7,126	6,411	(715)	6,657	(246)		
Other revenue	1,401	1,401	1,302	(99)	266	1,036		
<b>Total revenues</b>	<b>\$ 37,837</b>	<b>\$ 37,837</b>	<b>\$ 39,386</b>	<b>\$ 1,549</b>	<b>\$ 38,117</b>	<b>\$ 1,268</b>		

The key factors affecting General Fund's fund balance for the fiscal year 13-14 are as follows:

- Sales tax revenue increased by approximately \$363 thousand (3%), which is primarily due to increased retail sales.
- Other revenue significantly increased due to revenues collected from Prop A exchanges with the Cities of Commerce and Pasadena, which were approved by Metropolitan Transportation Authority (MTA).

Total General fund expenditures increased by \$3.3 million (7.5%) because of 3 main reasons: increase retirement expenditures for safety personnel, increase in public works spending on capital improvements and increase in housing and community development expenditures due to dissolution of RDA.

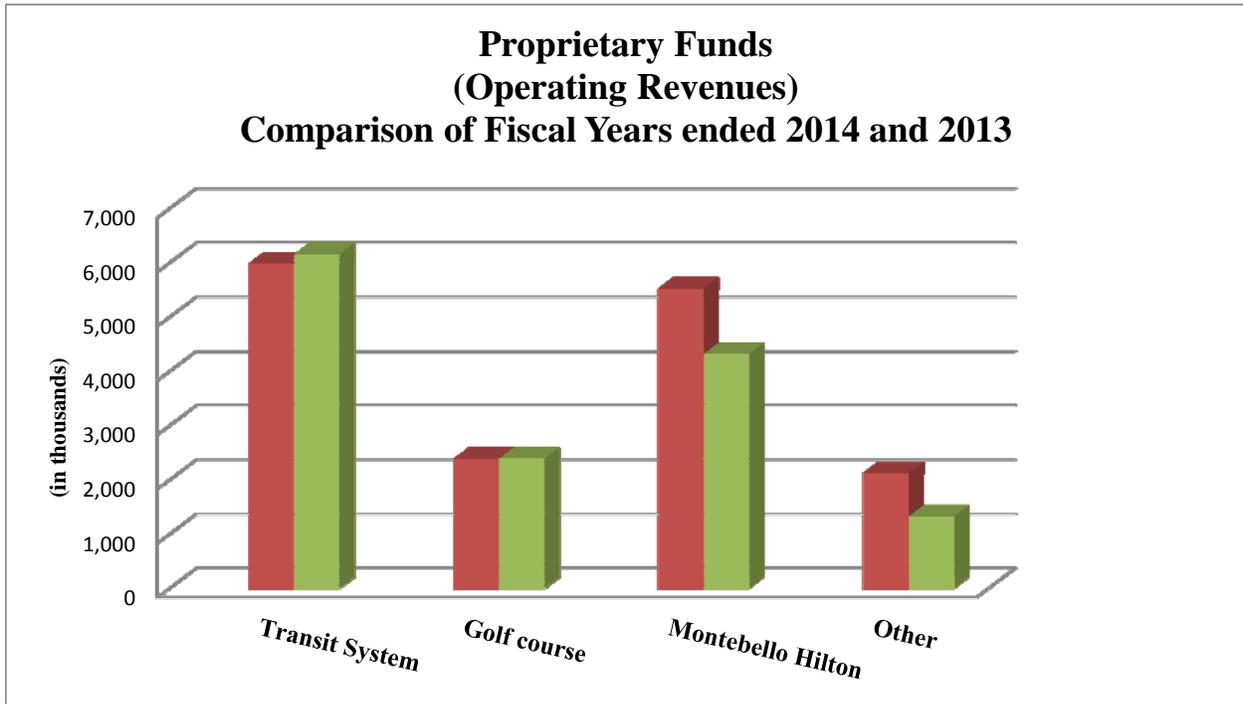
Retirement Fund is reserved for the payment of retirement expenses for the employees of the City. The retirement portion of the property tax revenue that was formerly received by the Redevelopment Agency is now collected by the County and included in the County's Residual Property Tax Trust Fund for allocation to the City's Successor Agency as well as to other taxing entities. The City's Retirement Fund decreased its net position by \$798 thousand in fiscal year 2014.

Capital Improvements Fund ended with a fund balance of \$1.1 million at June 30, 2014. During fiscal year 13-14, the Capital Improvements Fund had a \$1.8 million increase in revenues. This increase was due to a combination of a loan repayment, and the sale of a property.

Self Insurance Fund is the City's Internal Service Fund which is used to set aside funding to cover workers' compensation, liability claims, and potential future claims. The Self Insurance fund ended the year with deficit net position of \$1.4 million, compared to a deficit of \$3.9 million in the prior fiscal year. As discussed in Note 13 of the Financial Statements, the City has been proactively trying to mitigate this deficit by building up cash reserves through future revenues and transfers. The cash balance in the insurance fund for fiscal year 13-14 is 80% compared to its total claims liability. This percentage has been low in the past 7 years. The reduction in deficit net position shows that the City is managing to its plan to eventually eliminate this deficit.

### **Proprietary Funds**

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



**Transit:**

The Transit System incurred an operating loss of \$24.9 million, compared to \$22 million in the prior fiscal year. The variance between the two fiscal years' operating losses was due to the increase in operating expenses in 2014 by \$2.7 million.

Operating revenues include bus fares and special contracts which totaled \$6.0 million, which approximates the prior year total of \$6.2 million. Operating expenses for Transit amounted to \$30.9 million in 2014, an increase of \$2.7 million (9%) due to overall increase in all expenses. Operating expenses included \$4 million in depreciation expense.

This operating loss was offset by nonoperating revenues and capital contributions of \$22.5 million, which was \$4.0 million less than prior fiscal year, resulting in a decrease in net position of \$2.2 million. Nonoperating revenues include operating subsidies provided through the Transportation Development Act (TDA) and allocations from Proposition A, C and Measure R. The significant decrease in nonoperating revenues was due to a one-time federal grant to purchase 7 CNG buses during 2012-13.

**Golf:**

The Municipal Golf Course incurred an operating loss of \$363 thousand, which was \$74 thousand (17%) less than prior year. Its operating revenues for the fiscal year 2014 were \$2.4 million and operating expenses were \$2.7 million. Operating revenues stayed consistent with prior year, while operating expenses decreased by \$78 thousand (3%) due to savings in utilities cost from new energy-saving electric sign, and reduction in other expenses. Operating expenses also include depreciation expense of \$269 thousand.

During fiscal year 13-14, \$566 thousand was spent in renovating the Quiet Cannon Clubhouse Facility through a Maintenance funding agreement. The construction was still in progress as of June 30, 2014. This agreement is discussed further in Note 8.

**Hilton:**

The Montebello Hilton reflected operating revenues of \$5.5 million, \$1.2 million (28%) higher than the prior fiscal year. This is primarily due to better room sales and higher room rates during the fiscal year. Operating expenses increased by \$716 thousand (21%). Operating expenses include \$161 thousand in depreciation expense.

The Hotel generated \$1.2 million in net income before \$409 thousand of net transfer of capital from its hotel operations into various funds held by the hotel's fiscal agent for payments for its equipment replacement and debt service. Annual debt service payments related to the hotel are paid from the revenue fund held by the fiscal agent and are reported in the City's Debt Service Fund section in the supplemental reports.

**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, 2014 amounted to \$137 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The City's investment in capital assets decreased by 1.8% over the prior year.

**City of Montebello**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2014**

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,054	\$ 2,054	\$ 6,307	\$ 6,307	\$ 8,361	\$ 8,361
Rights of way	14,392	14,392	-	-	14,392	14,392
Buildings and improvements	35,736	34,657	17,546	18,327	53,282	52,984
Machinery and equipment	5,342	6,681	30,995	34,710	36,337	41,391
Construction in progress	2,113	2,008	4,581	1,660	6,694	3,668
Infrastructure	17,590	18,295	-	-	17,590	18,295
	<u>\$ 77,227</u>	<u>\$ 78,087</u>	<u>\$ 59,429</u>	<u>\$ 61,004</u>	<u>\$ 136,656</u>	<u>\$ 139,091</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;
- Buildings, including 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 Improvements are the biggest capital assets of the City, making up 40% of the total capital assets. Building and Improvements additions and renovations totaled approximately \$7.5 million. Major ongoing capital improvements include: Passenger Information system, Garfield Avenue phase II, Beverly boulevard street improvements and the Clubhouse facility at the Quiet Cannon. Major completed improvements projects included State Safe Routes to School (La Merced and Wilcox), and Citywide Sidewalk and pothole repairs.
- Machinery, Equipment, and Automotive Equipment additions totaled approximately \$594 thousand, a significant decrease from prior year. This is because in 2013, the City capitalized the purchase of 8 new CNG buses which totaled approximately \$4 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 2013-2014, the City had total debt outstanding of \$65.7 million. The outstanding debt includes \$20.7 million of debt backed by certificates of participation, \$14.3 million relates to revenue bonds. The remaining \$17.4 million relates to the postemployment benefit obligation, notes payable, loans payable and compensated absences. Total long-term claims payable as of June 30, 2014 was \$13.1 million. 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	
	2014	2013	2014	2013	2014	2013
Certificates of participation	\$ 16,503	\$ 17,448	\$ 4,197	\$ 4,407	\$ 20,700	\$ 21,855
Revenue bonds, net	14,282	14,703	-	-	14,282	14,703
Claims payable	13,116	12,964	-	-	13,116	12,964
Other postemployment benefit obligation	6,497	5,422	-	-	6,497	5,422
Notes payable	5,335	5,624	-	-	5,335	5,624
Loans payable	-	-	1,669	843	1,669	843
Compensated absences	3,030	3,107	1,082	1,045	4,112	4,152
Sub total	58,763	59,268	6,948	6,295	65,711	65,563
Less current portion	5,866	5,766	612	1,071	6,478	6,837
Noncurrent portion	\$ 52,897	\$ 53,502	\$ 6,336	\$ 5,224	\$ 59,233	\$ 58,726

In September 2014, the City successfully defeased 1999 Certificates of Participation, 2000 Certificates of Participation and 2001 Certificates of Participation by issuing Lease Revenue Refunding Bonds Series 2014A, 2014B and 2014C.

Standard and Poor's Ratings Services, in a letter dated August 14, 2014, has assigned a rating of "A-" for the 3 new Lease Revenue Refunding Bonds referenced above. Additional information on the defeasance, as well as other information with regards to the City's long-term debt can be found in Note 8 to the basic financial statements section of this report.

**Economic Factors and Next Year's Budgets and Rates**

The City's financial position and its ability to pay for essential services and capital projects rely heavily on the economic conditions, legislative actions on both Federal and State level, and laws governing local finances:

**Credit rating:** On May 29, 2014, Standard and Poor's Rating Services assigned "A" issuer credit rating (ICR) to the City, and stated that the outlook is stable. The rating is based on the City's strong budgetary flexibility and strong liquidity. According to Standard and Poor's definition, an issuer credit rating is the current opinion of the City's overall capacity and willingness (creditworthiness) to pay its financial obligations as they come due.

**Employment trends:** The City's unemployment rate continued to fall from 12.2% to 11% during the fiscal year, a 1.2% decrease from prior year. The 1.2% rate of decrease is also the same with the decrease experienced during fiscal year 2012-13. This is consistent with the UCLA Anderson Forecast published December 2014, predicting steady gains in employment all through 2016.

**Economic growth:** The UCLA Anderson forecast also anticipated an average 3.1 percent growth in real GDP all through 2016. The overall economic outlook for California as a whole looks positive as the weak growth rates start to pick up. This means more sales tax revenues are expected to be generated. The City budgeted an increase of 9% in sales tax revenue for fiscal year 14-15.

**Real Estate Market:** According to Legislative Analyst's Office report on May 5, 2014, California home values are expected to increase by 10-20% all through 2015, for properties that currently have reduced assessments. This trend is consistent with the trend the City is seeing. Taxable assessed values for properties within the City have increased steadily since 2011-12. These increases will continue to boost the City's property tax growth rates over the next several years.

**Affordable Health Care Act (ACA):** The retirement and health benefit costs will continue to increase as the City's PERS rate changes due to actuarial information and investment rates, as well as the implementation of the Affordable Health Care Act of 2010. The new reporting and compliance requirements by the ACA during 2014, 2015, and 2016 are summarized as follows:

- The City will be required to start tracking employee hours and other data on a monthly and annual basis.
- The City then will have to compile and transmit these data to the IRS as well as full-time employees.
- The City will have to provide group health insurance to those who qualify under ACA.

These reporting and compliance requirements are expected to increase the City's overall burden costs, and will have an effect on the City's budget.

### **Other**

The dissolution of the former RDAs via AB 1x26 and AB 1484 (jointly the "Dissolution Act") continues to create hardship and uncertainty for the City of Montebello ("City"); an experience shared by many cities in California.

The City is currently in litigation with the California Department of Finance ("DOF") concerning the legality of approximately \$4.3 million in payments made by the RDA to the City in the months prior to the former's dissolution. In connection with an audit of RDA assets (known as the "due diligence review"), DOF determined these payments were unlawful and must be returned by the City for allocation to County taxing entities. The City is challenging this determination on a number of constitutional and statutory grounds.

In September 2014, the Sacramento Superior Court issued an interim ruling in the case, ordering DOF to reconsider its determination in light of evidence presented and arguments made by the City in the litigation. In November 2014, DOF issued a revised determination approving of \$251,785 of the payments at issue, but disapproving of the remaining \$4,046,760.

The City is in the process of pursuing its legal challenge related to the disputed amount.

The City's lawsuit is just one of hundreds brought challenging DOF's implementation of the Dissolution Act. Several of these cases are now on appeal, and decisions in those cases may bear on the merits of the City's challenge.

### **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 Position**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 31,189,613	\$ 4,187,539	\$ 35,377,152
Cash and investments with fiscal agent	7,181,238	1,017,411	8,198,649
Receivables:			
Interest	15,635	-	15,635
Accounts	2,744,251	1,765,107	4,509,358
Property tax	1,999,030	-	1,999,030
Property held for resale	2,040,830	-	2,040,830
Inventory	15,914	366,623	382,537
Prepaid items and deposits	246,640	19,179	265,819
Due from successor agency trust fund	9,032,261	-	9,032,261
Internal balances	1,677,587	(1,677,587)	-
Capital assets, not being depreciated	18,558,449	10,887,289	29,445,738
Capital assets, being depreciated	58,668,345	48,540,800	107,209,145
<b>Total assets</b>	<u>133,369,793</u>	<u>65,106,361</u>	<u>198,476,154</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on defeasance of debt	117,482	-	117,482
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,720,112	8,056,566	11,776,678
Interest payable	261,532	1,597,137	1,858,669
Deposits payable	5,000	38,963	43,963
Unearned revenues	40,003	2,645,187	2,685,190
Noncurrent liabilities:			
Due within one year	6,303,277	1,339,877	7,643,154
Due in more than one year	52,459,887	5,607,668	58,067,555
<b>Total liabilities</b>	<u>62,789,811</u>	<u>19,285,398</u>	<u>82,075,209</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	55,212,827	53,562,215	108,775,042
Restricted for:			
Community development	18,060,296	-	18,060,296
Public safety	2,029,252	-	2,029,252
Capital projects	1,090,991	-	1,090,991
Debt service	7,960,932	1,017,411	8,978,343
Unrestricted	(13,656,834)	(8,758,663)	(22,415,497)
<b>Total net position</b>	<u>\$ 70,697,464</u>	<u>\$ 45,820,963</u>	<u>\$ 116,518,427</u>

See notes to financial statements.

**City of Montebello**  
**Statement of Activities**  
**Year ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>							
General government	\$ 3,868,688	\$ 4,074,735	\$ 38,510	\$ -	\$ 244,557	\$ -	\$ 244,557
Public safety	33,376,844	2,767,256	2,042,824	-	(28,566,764)	-	(28,566,764)
Public works	7,063,899	5,427,918	3,854,510	-	2,218,529	-	2,218,529
Parks, recreation, and culture	4,943,297	533,575	-	-	(4,409,722)	-	(4,409,722)
Housing and community development	4,045,684	-	2,109,137	-	(1,936,547)	-	(1,936,547)
Unallocated infrastructure depreciation	704,807	-	-	-	(704,807)	-	(704,807)
Interest on long-term debt	1,254,337	-	-	-	(1,254,337)	-	(1,254,337)
<b>Total governmental activities</b>	<b>55,257,556</b>	<b>12,803,484</b>	<b>8,044,981</b>	<b>-</b>	<b>(34,409,091)</b>	<b>-</b>	<b>(34,409,091)</b>
<b>Business-type activities</b>							
Transit system	30,850,208	5,985,798	19,726,264	2,764,857	-	(2,373,289)	(2,373,289)
Golf course	2,965,428	2,385,213	-	-	-	(580,215)	(580,215)
Hilton	4,302,388	5,522,384	-	-	-	1,219,996	1,219,996
Water utility	2,364,394	1,993,532	-	-	-	(370,862)	(370,862)
Detention facility	441,624	128,200	-	-	-	(313,424)	(313,424)
<b>Total business-type activities</b>	<b>40,924,042</b>	<b>16,015,127</b>	<b>19,726,264</b>	<b>2,764,857</b>	<b>-</b>	<b>(2,417,794)</b>	<b>(2,417,794)</b>
<b>Total primary government</b>	<b>\$ 96,181,598</b>	<b>\$ 28,818,611</b>	<b>\$ 27,771,245</b>	<b>\$ 2,764,857</b>	<b>(34,409,091)</b>	<b>(2,417,794)</b>	<b>(36,826,885)</b>
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes					14,931,613	-	14,931,613
Sales tax					11,725,818	-	11,725,818
Franchise taxes					1,303,603	-	1,303,603
Motor vehicle license fees					5,394,777	-	5,394,777
Other taxes					473,645	-	473,645
Other revenues					2,036,142	-	2,036,142
Investment earnings					49,705	10,383	60,088
<b>Transfers</b>							
Transfers - net					(792,325)	792,325	-
<b>Total general revenues</b>					<b>35,122,978</b>	<b>802,708</b>	<b>35,925,686</b>
<b>Change in net position before extraordinary item</b>					<b>713,887</b>	<b>(1,615,086)</b>	<b>(901,199)</b>
<b>Extraordinary item</b>							
RDA dissolution transactions - transfer of Housing Fund balances					(501,678)	-	(501,678)
<b>Change in net position</b>					<b>212,209</b>	<b>(1,615,086)</b>	<b>(1,402,877)</b>
<b>Net position-beginning of year</b>					<b>70,485,255</b>	<b>47,436,049</b>	<b>117,921,304</b>
<b>Net position-end of year</b>					<b>\$ 70,697,464</b>	<b>\$ 45,820,963</b>	<b>\$ 116,518,427</b>

See notes to financial statements.

**City of Montebello  
Governmental Funds  
Balance Sheet  
June 30, 2014**

	General	Special Revenue Fund Retirement Fund	Debt Service Fund Public Financing Authority	Housing Fund	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and investments	\$ 5,632,104	\$ 2,204,942	\$ 9,009	\$ -	\$ 8,991,791	\$ 16,837,846
Cash and investments with fiscal agents	-	-	5,358,921	3,651	1,818,666	7,181,238
Receivables						
Interest	15,635	-	-	-	-	15,635
Accounts	1,524,228	-	-	-	1,219,012	2,743,240
Property tax	1,888,791	110,239	-	-	-	1,999,030
Notes	-	-	-	5,905,908	970,099	6,876,007
Due from other funds	1,897,866	-	346,449	-	106,936	2,351,251
Due from successor agency trust fund	-	-	-	8,956,665	75,596	9,032,261
Prepaid expenses	131,027	-	-	-	16,377	147,404
Inventory	11,367	-	-	-	-	11,367
Investment in land held for resale	-	-	-	2,040,830	-	2,040,830
<b>Total assets</b>	<u>11,101,018</u>	<u>2,315,181</u>	<u>5,714,379</u>	<u>16,907,054</u>	<u>13,198,477</u>	<u>49,236,109</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	-	-	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<u>\$ 11,101,018</u>	<u>\$ 2,315,181</u>	<u>\$ 5,714,379</u>	<u>\$ 16,907,054</u>	<u>\$ 13,198,477</u>	<u>\$ 49,236,109</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 2,552,088	\$ -	\$ 25	\$ -	\$ 1,124,347	\$ 3,676,460
Deposits payable	5,000	-	-	-	-	5,000
Unearned revenue	-	-	-	-	40,003	40,003
Due to other funds	13,555	-	-	434,434	225,675	673,664
<b>Total liabilities</b>	<u>2,570,643</u>	<u>-</u>	<u>25</u>	<u>434,434</u>	<u>1,390,025</u>	<u>4,395,127</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	-	-	5,905,908	1,294,790	7,200,698
<b>FUND BALANCES</b>						
<b>Nonspendable</b>						
Inventory	11,367	-	-	-	-	11,367
Prepaid expenses	131,027	-	-	-	16,377	147,404
Investment in land held for resale	-	-	-	2,040,830	-	2,040,830
<b>Restricted for</b>						
Debt service	-	-	5,714,354	-	2,246,578	7,960,932
Special revenue funds	-	2,315,181	-	8,525,882	7,159,716	18,000,779
Capital projects	-	-	-	-	1,090,991	1,090,991
Unassigned	8,387,981	-	-	-	-	8,387,981
<b>Total fund balances</b>	<u>8,530,375</u>	<u>2,315,181</u>	<u>5,714,354</u>	<u>10,566,712</u>	<u>10,513,662</u>	<u>37,640,284</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 11,101,018</u>	<u>\$ 2,315,181</u>	<u>\$ 5,714,379</u>	<u>\$ 16,907,054</u>	<u>\$ 13,198,477</u>	<u>\$ 49,236,109</u>

See notes to financial statements.

**City of Montebello**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

---

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

Total governmental fund balances	\$	37,640,284
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.		77,106,700
Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide financial statements.		7,200,698
Allowance for doubtful accounts that is not reported in the governmental fund financial statements.		(6,876,007)
Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at June 30, 2014 are:		
Certificates of participation	\$	(16,502,860)
Revenue bonds		(14,370,000)
Loans payable		(5,335,106)
Compensated absences		(3,026,157)
Other postemployment benefit obligation		(6,496,964)
Bond issuance discount		88,143
Deferred amount on refunding		<u>117,482</u>
		(45,525,462)
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 position, but are not included in the governmental funds balance sheet		1,412,783
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(261,532)</u>
Net position of governmental activities	\$	<u><u>70,697,464</u></u>

*See notes to financial statements.*

**City of Montebello**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2014**

	General	Special Revenue Fund Retirement Fund	Debt Service Fund Public Financing Authority	Housing Fund	Other Governmental Funds	Total
<b>Revenues</b>						
Sales taxes	\$ 11,725,818	\$ -	\$ -	\$ -	\$ -	\$ 11,725,818
Property taxes	6,362,551	7,216,281	-	-	1,352,781	14,931,613
Other taxes	473,645	-	-	-	-	473,645
Franchise taxes	1,303,603	-	-	-	-	1,303,603
Licenses and permits	4,617,905	-	-	-	-	4,617,905
Fines and forfeitures	1,774,912	-	-	-	-	1,774,912
Investment income	17,660	9,554	-	-	22,491	49,705
Intergovernmental	5,397,079	-	-	-	7,717,988	13,115,067
Charges for services	6,410,667	-	-	-	-	6,410,667
Other revenue	1,302,499	-	-	79,274	1,904,369	3,286,142
<b>Total revenues</b>	<b>39,386,339</b>	<b>7,225,835</b>	<b>-</b>	<b>79,274</b>	<b>10,997,629</b>	<b>57,689,077</b>
<b>Expenditures</b>						
Current:						
General government	5,010,512	-	168	-	1,661,706	6,672,386
Public safety	29,951,203	-	-	-	1,038,027	30,989,230
Public works	6,594,303	-	-	-	-	6,594,303
Parks and recreation	4,412,105	-	-	-	-	4,412,105
Housing and community development	2,140,405	-	-	616	1,776,990	3,918,011
Sub-total	48,108,528	-	168	616	4,476,723	52,586,035
Capital outlay	473,653	-	-	-	2,694,926	3,168,579
Debt service:						
Principal retirement	-	-	430,000	-	1,234,040	1,664,040
Interest and fiscal charges	-	-	398,713	-	1,056,230	1,454,943
Sub-total	-	-	828,713	-	2,290,270	3,118,983
Interfund revenue	(1,991,200)	-	-	-	-	(1,991,200)
<b>Total expenditures</b>	<b>46,590,981</b>	<b>-</b>	<b>828,881</b>	<b>616</b>	<b>9,461,919</b>	<b>56,882,397</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(7,204,642)</b>	<b>7,225,835</b>	<b>(828,881)</b>	<b>78,658</b>	<b>1,535,710</b>	<b>806,680</b>
<b>Other financing sources (uses)</b>						
Transfers in	10,728,822	-	1,854,444	-	1,919,816	14,503,082
Transfers out	(3,060,555)	(8,023,852)	-	-	(5,954,727)	(17,039,134)
<b>Net other financing sources (uses)</b>	<b>7,668,267</b>	<b>(8,023,852)</b>	<b>1,854,444</b>	<b>-</b>	<b>(4,034,911)</b>	<b>(2,536,052)</b>
<b>Change in fund balances before extraordinary item</b>	<b>463,625</b>	<b>(798,017)</b>	<b>1,025,563</b>	<b>78,658</b>	<b>(2,499,201)</b>	<b>(1,729,372)</b>
<b>Extraordinary item</b>						
RDA dissolution transactions	-	-	-	(501,678)	-	(501,678)
<b>Change in fund balances after extraordinary item</b>	<b>463,625</b>	<b>(798,017)</b>	<b>1,025,563</b>	<b>(423,020)</b>	<b>(2,499,201)</b>	<b>(2,231,050)</b>
<b>Fund balances, beginning of year</b>	<b>8,066,750</b>	<b>3,113,198</b>	<b>4,688,791</b>	<b>10,989,732</b>	<b>13,012,863</b>	<b>39,871,334</b>
<b>Fund balances, end of year</b>	<b>\$ 8,530,375</b>	<b>\$ 2,315,181</b>	<b>\$ 5,714,354</b>	<b>\$ 10,566,712</b>	<b>\$ 10,513,662</b>	<b>\$ 37,640,284</b>

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, 2014**

---

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

Change in fund balance - governmental funds		\$ (1,729,372)
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.		
Depreciation expense	\$ (3,935,351)	
Capital outlay	<u>3,076,813</u>	(858,538)
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 position.		
Principal payments on bonds and notes		1,664,040
Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide financial statements.		
		(925,309)
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.		
Net change in compensated absences for the current period	76,770	
Net change in accrued interest for the current period	259,486	
Amortization of deferred amount on refunding	(50,350)	
Amortization of bond discount	(8,530)	
Current year expense for other postemployment benefits	<u>(1,074,900)</u>	(797,524)
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.		
		<u>3,360,590</u>
Change in net position of governmental activities		<u>\$ 713,887</u>

*See notes to financial statements.*

**City of Montebello**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit System	Golf	Montebello	Others	Total	
	Fund	Course	Hilton			
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 3,666,094	\$ 160,625	\$ 334,141	\$ 26,679	\$ 4,187,539	\$ 14,351,767
Cash and investments with fiscal agent	-	302,218	715,193	-	1,017,411	-
Accounts receivable	1,510,717	66,075	95,478	92,837	1,765,107	1,011
Inventory	311,641	53,985	997	-	366,623	4,547
Prepaid expense and other current assets	899	365	17,915	-	19,179	99,236
<b>Total current assets</b>	<b>5,489,351</b>	<b>583,268</b>	<b>1,163,724</b>	<b>119,516</b>	<b>7,355,859</b>	<b>14,456,561</b>
Noncurrent assets						
Land	3,901,596	2,370,000	-	35,000	6,306,596	108,369
Buildings and improvements	25,231,622	9,683,363	2,106,648	141,284	37,162,917	428,794
Machinery and equipment	61,582,278	2,209,699	-	2,204,819	65,996,796	643,651
Construction in progress	3,206,706	566,026	807,961	-	4,580,693	-
Accumulated depreciation	(44,002,332)	(7,711,528)	(687,156)	(2,217,897)	(54,618,913)	(1,060,720)
<b>Total noncurrent assets</b>	<b>49,919,870</b>	<b>7,117,560</b>	<b>2,227,453</b>	<b>163,206</b>	<b>59,428,089</b>	<b>120,094</b>
<b>Total assets</b>	<b>55,409,221</b>	<b>7,700,828</b>	<b>3,391,177</b>	<b>282,722</b>	<b>66,783,948</b>	<b>14,576,655</b>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued liabilities	1,546,684	219,799	6,028,758	261,325	8,056,566	43,652
Due to other funds	-	1,677,587	-	-	1,677,587	-
Deposits payable	-	400	6,888	31,675	38,963	-
Unearned revenue	2,645,187	-	-	-	2,645,187	-
Interest payable	-	41,817	1,555,320	-	1,597,137	-
Current portion of long-term liabilities:						
Claims payable	-	-	-	-	-	4,527,000
Compensated absences	727,613	72,758	-	552	800,923	3,777
Notes payable	-	320,454	-	-	320,454	-
Certificates of participation	-	218,500	-	-	218,500	-
<b>Total current liabilities</b>	<b>4,919,484</b>	<b>2,551,315</b>	<b>7,590,966</b>	<b>293,552</b>	<b>15,355,317</b>	<b>4,574,429</b>
Noncurrent liabilities						
Claims payable	-	-	-	-	-	8,589,443
Compensated absences	245,020	35,728	-	-	280,748	-
Notes payable	-	1,348,280	-	-	1,348,280	-
Certificates of participation	-	3,978,640	-	-	3,978,640	-
<b>Total noncurrent liabilities</b>	<b>245,020</b>	<b>5,362,648</b>	<b>-</b>	<b>-</b>	<b>5,607,668</b>	<b>8,589,443</b>
<b>Total liabilities</b>	<b>5,164,504</b>	<b>7,913,963</b>	<b>7,590,966</b>	<b>293,552</b>	<b>20,962,985</b>	<b>13,163,872</b>
<b>NET POSITION</b>						
Net investment in capital assets	49,919,870	1,251,686	2,227,453	163,206	53,562,215	120,094
Restricted for Debt service	-	302,218	715,193	-	1,017,411	-
Unrestricted	324,847	(1,767,039)	(7,142,435)	(174,036)	(8,758,663)	1,292,689
<b>Total net position</b>	<b>\$ 50,244,717</b>	<b>\$ (213,135)</b>	<b>\$ (4,199,789)</b>	<b>\$ (10,830)</b>	<b>\$ 45,820,963</b>	<b>\$ 1,412,783</b>

See notes to financial statements.

**City of Montebello**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year ended June 30, 2014**

	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	\$ 5,815,531	\$ 2,385,213	\$ 5,508,058	\$ 2,121,732	\$ 15,830,534	\$ 8,377,734
Other	170,267	-	14,326	-	184,593	7,500
<b>Total operating revenues</b>	<u>5,985,798</u>	<u>2,385,213</u>	<u>5,522,384</u>	<u>2,121,732</u>	<u>16,015,127</u>	<u>8,385,234</u>
<b>Operating expenses</b>						
Labor and fringe benefits	16,878,674	1,205,289	1,416,457	11,622	19,512,042	34,658
Materials and supplies	2,628,177	124,305	-	1,750	2,754,232	427,752
Food and beverage	-	-	226,139	-	226,139	-
Repairs and maintenance	1,201,610	7,585	145,221	900	1,355,316	166,388
Utilities	416,313	312,948	165,749	105,951	1,000,961	-
Insurance claims and premiums	2,160,956	52,008	68,706	-	2,281,670	5,471,940
Contract services	1,739,110	468,748	407,374	2,531,227	5,146,459	421,514
Franchise fee	-	-	242,487	-	242,487	-
Depreciation expense	4,024,091	269,201	160,775	59,140	4,513,207	1,173
Administrative expense	1,500,000	235,104	1,236,335	95,428	3,066,867	244,946
Other expenses	301,277	73,008	-	-	374,285	-
<b>Total operating expenses</b>	<u>30,850,208</u>	<u>2,748,196</u>	<u>4,069,243</u>	<u>2,806,018</u>	<u>40,473,665</u>	<u>6,768,371</u>
<b>Operating income (loss)</b>	<u>(24,864,410)</u>	<u>(362,983)</u>	<u>1,453,141</u>	<u>(684,286)</u>	<u>(24,458,538)</u>	<u>1,616,863</u>
<b>Nonoperating revenues (expenses)</b>						
Operating subsidies:						
Proposition "A" discretionary	4,974,492	-	-	-	4,974,492	-
Proposition "C" discretionary	3,450,541	-	-	-	3,450,541	-
Measure R	3,101,370	-	-	-	3,101,370	-
State transit assistance	8,199,861	-	-	-	8,199,861	-
<b>Subtotal - operating subsidies</b>	<u>19,726,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,726,264</u>	<u>-</u>
Interest income (expense)	10,383	(217,232)	(233,145)	-	(439,994)	-
<b>Total nonoperating revenues (expenses)</b>	<u>19,736,647</u>	<u>(217,232)</u>	<u>(233,145)</u>	<u>-</u>	<u>19,286,270</u>	<u>-</u>
<b>Income (loss) before capital grants</b>	<u>(5,127,763)</u>	<u>(580,215)</u>	<u>1,219,996</u>	<u>(684,286)</u>	<u>(5,172,268)</u>	<u>1,616,863</u>
<b>Federal and State capital grants</b>	<u>2,764,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,764,857</u>	<u>-</u>
<b>Income (loss) before transfers</b>	<u>(2,362,906)</u>	<u>(580,215)</u>	<u>1,219,996</u>	<u>(684,286)</u>	<u>(2,407,411)</u>	<u>1,616,863</u>
<b>Transfers in</b>	<u>181,218</u>	<u>400,000</u>	<u>1,445,551</u>	<u>620,000</u>	<u>2,646,769</u>	<u>2,548,697</u>
<b>Transfers out</b>	<u>-</u>	<u>-</u>	<u>(1,854,444)</u>	<u>-</u>	<u>(1,854,444)</u>	<u>(804,970)</u>
<b>Net transfers in (out)</b>	<u>181,218</u>	<u>400,000</u>	<u>(408,893)</u>	<u>620,000</u>	<u>792,325</u>	<u>1,743,727</u>
<b>Change in net position</b>	<u>(2,181,688)</u>	<u>(180,215)</u>	<u>811,103</u>	<u>(64,286)</u>	<u>(1,615,086)</u>	<u>3,360,590</u>
<b>Net position - beginning of year</b>	<u>52,426,405</u>	<u>(32,920)</u>	<u>(5,010,892)</u>	<u>53,456</u>	<u>47,436,049</u>	<u>(1,947,807)</u>
<b>Net position - end of year</b>	<u>\$ 50,244,717</u>	<u>\$ (213,135)</u>	<u>\$ (4,199,789)</u>	<u>\$ (10,830)</u>	<u>\$ 45,820,963</u>	<u>\$ 1,412,783</u>

See notes to financial statements.

**City of Montebello**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2014**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Transit System	Golf	Montebello	Others	Total	
	Fund	Course	Hilton			
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 6,307,015	\$ 2,383,029	\$ 5,465,440	\$ 2,049,907	\$ 16,205,391	\$ 8,376,852
Other receipts	170,267	-	14,326	-	184,593	7,500
Payments to suppliers	(14,206,273)	(1,220,257)	(1,945,698)	(2,857,285)	(20,229,513)	(6,816,168)
Payments to employees	(16,844,894)	(1,202,483)	(1,416,457)	(11,622)	(19,475,456)	(34,658)
<b>Net cash provided by (used in) operating activities</b>	<b>(24,573,885)</b>	<b>(39,711)</b>	<b>2,117,611</b>	<b>(819,000)</b>	<b>(23,314,985)</b>	<b>1,533,526</b>
<b>Cash flows from non-capital financing activities</b>						
Operating subsidies received from Federal and State	23,640,430	-	-	-	23,640,430	-
Cash received from other funds	181,218	365,051	1,445,551	620,000	2,611,820	2,548,697
Cash paid to other funds	-	-	(1,854,444)	-	(1,854,444)	(804,970)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>23,821,648</b>	<b>365,051</b>	<b>(408,893)</b>	<b>620,000</b>	<b>24,397,806</b>	<b>1,743,727</b>
<b>Cash flows from capital and related financing activities</b>						
Interest received	10,383	-	-	-	10,383	-
Interest paid	-	(218,951)	(3,917)	-	(222,868)	-
Loan proceeds	-	1,027,213	-	-	1,027,213	-
Principal payment	-	(411,733)	-	-	(411,733)	-
Acquisition of capital assets	(2,010,603)	(566,026)	(807,961)	-	(3,384,590)	-
Proceeds from insurance claim	335,784	-	-	-	335,784	-
Federal and State capital grants	2,764,857	-	-	-	2,764,857	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>1,100,421</b>	<b>(169,497)</b>	<b>(811,878)</b>	<b>-</b>	<b>119,046</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>348,184</b>	<b>155,843</b>	<b>896,840</b>	<b>(199,000)</b>	<b>1,201,867</b>	<b>3,277,253</b>
<b>Cash and cash equivalents - beginning</b>	<b>3,317,910</b>	<b>307,000</b>	<b>152,494</b>	<b>225,679</b>	<b>4,003,083</b>	<b>11,074,514</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 3,666,094</b>	<b>\$ 462,843</b>	<b>\$ 1,049,334</b>	<b>\$ 26,679</b>	<b>\$ 5,204,950</b>	<b>\$ 14,351,767</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss)	\$ (24,864,410)	\$ (362,983)	\$ 1,453,141	\$ (684,286)	\$ (24,458,538)	\$ 1,616,863
Depreciation and amortization	4,024,091	269,201	160,775	59,140	4,513,207	1,173
Loss from disposal of capital assets	111,433	-	-	-	111,433	-
Changes in assets and liabilities						
Accounts receivable	(480,259)	(2,184)	(42,618)	(71,825)	(596,886)	(882)
Inventories	117,976	(12,116)	877	-	106,737	-
Prepaid expenses	(899)	-	(15,826)	-	(16,725)	(99,236)
Accounts payable and accrued liabilities	(4,487,340)	65,565	559,231	(122,029)	(3,984,573)	(129,890)
Due to other funds	-	-	-	-	-	(7,500)
Deposits payable	-	-	2,031	-	2,031	-
Compensated absences	33,780	2,806	-	-	36,586	-
Unearned revenue	971,743	-	-	-	971,743	-
Claims payable	-	-	-	-	-	152,998
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (24,573,885)</b>	<b>\$ (39,711)</b>	<b>\$ 2,117,611</b>	<b>\$ (819,000)</b>	<b>\$ (23,314,985)</b>	<b>\$ 1,533,526</b>

See notes to financial statements.

**City of Montebello**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2014**

	Successor Agency	Agency Fund
<b>ASSETS</b>		
Cash and investments	\$ 11,473,901	\$ 2,133,118
Cash and investments with fiscal agent	4,845,966	-
Receivables:		
Interest	3,936	-
Accounts	5,850	-
Notes, net	3,926,482	-
Prepaid expenses	84,445	-
Land held for resale	5,983,486	-
Capital assets	12,931,769	-
<b>Total assets</b>	<b>39,255,835</b>	<b>2,133,118</b>
<b>Deferred outflows of resources</b>		
Unamortized loss on defeasance of debt	203,370	-
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	20,828	-
Deposits payable	-	2,133,118
Unearned revenues	2,276	-
Interest payable	912,780	-
Due to City of Montebello	9,032,261	-
Noncurrent liabilities		
Due within one year	4,624,837	-
Due in more than one year	54,400,982	-
<b>Total liabilities</b>	<b>68,993,964</b>	<b>2,133,118</b>
<b>NET POSITION</b>		
Unrestricted fiduciary net position	(29,534,759)	-
<b>Total net assets (deficit)</b>	<b>\$ (29,534,759)</b>	<b>\$ -</b>

*See notes to financial statements.*

**City of Montebello**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2014**

---

		Successor Agency Private-purpose Trust Fund
		<u>Trust Fund</u>
<b>Revenues</b>		
Property taxes	\$	10,025,198
Investment income		73,896
Other revenue		300,517
<b>Total revenues</b>		<u>10,399,611</u>
<b>Expenditures</b>		
Current:		
Housing and community development		2,754,342
Debt service:		
Interest and fiscal charges		3,507,447
<b>Total expenditures</b>		<u>6,261,789</u>
<b>Change in net position before extraordinary items</b>		<u>4,137,822</u>
<b>Extraordinary items</b>		
Redevelopment Agency dissolution transactions:		
Transfer of Housing Fund balances to the City		501,678
<b>Change in net position after extraordinary items</b>		4,639,500
<b>Net position, beginning of year</b>		<u>(34,174,259)</u>
<b>Net position, end of year</b>	\$	<u><u>(29,534,759)</u></u>

*See notes to financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity**

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

The City's accounting policies conform to accounting principles generally accepted in the United States of America, as applicable to governments.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Montebello and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City) and there is a financial burden or benefit component to the relationship. In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City, as of June 30, 2014, are the Montebello Public Improvement Corporation (MPIC), Montebello Public Financing Authority (Authority), and Water System Improvement Corporation (WSIC). A brief description of each component unit follows:

*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 former Redevelopment 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. In August, 2014, the Montebello Parking Authority replaced the Successor Agency as one of the principles in the Montebello Public Financing Authority.

*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.

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

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

*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 was to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational, and public facilities.

Pursuant to the provisions of AB 1x26, the Montebello Redevelopment Agency was dissolved and the Successor Agency to the Dissolved Montebello Redevelopment Agency (Successor Agency) was created. Accordingly, all of the assets, liabilities and obligations of the former redevelopment agency were transferred to the Successor Agency and the Housing Special Revenue Fund (Housing Fund) of the City 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. The City Council serves as the Successor Agency's governing board.

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 Position 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 deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. 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.

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

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

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

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

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

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.

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

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 1989 FASB and AICPA Pronouncements*, 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.

**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 Public Financing Authority Debt Service Fund is used to account for the accumulation of resources required for payment of interest and principal on all Public Financing Authority revenue bonds.

The Housing 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 guaranteed from tax revenues of the Successor Agency, subsequently reimbursed either from operations of the Hilton or from the General Fund.

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

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

*Governmental Funds*

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

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

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

*Proprietary Funds*

The Enterprise Funds are used to account for operations that provide services to the general public that are financed primarily by user charges or where the periodic measurement of net increase is deemed appropriate. Combined and presented as Other Enterprise Funds are the Water Utility and Detention Facility funds.

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 Position and a Statement of Changes in Fiduciary Net Position.

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 Position**

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

- Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.

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

- Restricted Net Positions consist 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 Positions consist of net positions that do not meet the definition of Net Investment in Capital Assets or Restricted Net Positions.

**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.

**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.

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

**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.

**Capital Assets**

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

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, bridges, and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2014.

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

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

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement Nos. 63 and 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 12 for the list of deferred outflows and deferred inflows of resources the City has recognized as of June 30, 2014.

**Compensated Absences**

It is the City's policy to permit employees to accumulate limited amounts of earned but unused vacation and sick leave benefits, which will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation and sick leave benefits are recognized when payments are made to employees. Proprietary fund types accrue vacation and sick leave benefits in the period they are earned. The total compensated absences liability of \$3,029,934 reported in the governmental activities includes \$3,026,157 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 \$1,081,671.

**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

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

**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, 2014 consisted of the following:

	Government-wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 35,377,152	\$ 13,607,019	\$ 48,984,171
Restricted assets:			
Cash and investments with fiscal agents	8,198,649	4,845,966	13,044,615
Total cash and investments	\$ 43,575,801	\$ 18,452,985	\$ 62,028,786

Cash and investments at June 30, 2014 consisted of the following:

Cash on hand	\$ 7,146
Deposits with financial institutions	7,287,624
Investments	54,734,016
Total cash and investments	\$ 62,028,786

**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)	\$ 40,689,786	\$ 40,689,786
Certificates of Time Deposits	999,615	999,615
Cash and investments with fiscal agents:		
Money market mutual funds	13,044,615	13,044,615
Total	\$ 54,734,016	\$ 54,734,016

**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, 2014	Minimum Legal Rating	AAA	Unrated
Local Agency Investment Fund (LAIF)	\$ 40,689,786	N/A	\$ -	\$ 40,689,786
Certificates of Time Deposits	999,615	N/A	-	999,615
Cash and investments with fiscal agents:				
Money market mutual funds	13,044,615	A	13,044,615	-
Total	\$ 54,734,016		\$ 13,044,615	\$ 41,689,401

**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, 2014, 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, 2014, the City had a contractual withdrawal value of \$40,689,786.

**City of Montebello**  
**Notes to Financial Statements**  
**Year ended June 30, 2014**

**NOTE 3 CAPITAL ASSETS**

A summary of changes in the governmental activities capital assets for the year ended June 30, 2014 is as follows:

	Balance at <u>July 1, 2013</u>	Additions	Reclassifications / Deletions	Balance at <u>June 30, 2014</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 2,053,644	\$ -	\$ -	\$ 2,053,644
Right of way	14,391,776	-	-	14,391,776
Construction in progress	2,007,500	1,705,671	(1,600,142)	2,113,029
Total capital assets, not being depreciated	<u>18,452,920</u>	<u>1,705,671</u>	<u>(1,600,142)</u>	<u>18,558,449</u>
Capital assets, being depreciated				
Buildings and improvements	50,410,156	972,290	1,600,142	52,982,588
Machinery and equipment	44,976,293	398,852	-	45,375,145
Infrastructure	48,409,657	-	-	48,409,657
Total capital assets, being depreciated	<u>143,796,106</u>	<u>1,371,142</u>	<u>1,600,142</u>	<u>146,767,390</u>
Less: accumulated depreciation for:				
Buildings and improvements	(15,752,974)	(1,494,048)	-	(17,247,022)
Machinery and equipment	(38,295,070)	(1,737,669)	-	(40,032,739)
Infrastructure	(30,114,477)	(704,807)	-	(30,819,284)
Total accumulated depreciation	<u>(84,162,521)</u>	<u>(3,936,524)</u>	<u>-</u>	<u>(88,099,045)</u>
Total capital assets, being depreciated, net	<u>59,633,585</u>	<u>(2,565,382)</u>	<u>1,600,142</u>	<u>58,668,345</u>
Governmental activities capital assets, net \$	<u>78,086,505</u>	<u>(859,711)</u>	<u>-</u>	<u>\$ 77,226,794</u>

A summary of changes in the business-type activities capital assets for the year ended June 30, 2014 is as follows:

	Balance at <u>July 1, 2013</u>	Additions	Reclassifications/ Deletions	Balance at <u>June 30, 2014</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 6,306,596	\$ -	\$ -	\$ 6,306,596
Construction in progress	1,660,013	2,979,387	(58,707)	4,580,693
Total capital assets, not being depreciated	<u>7,966,609</u>	<u>2,979,387</u>	<u>(58,707)</u>	<u>10,887,289</u>
Capital assets, being depreciated				
Buildings and improvements	36,893,764	210,446	58,707	37,162,917
Machinery and equipment	66,435,891	194,757	(633,852)	65,996,796
Total capital assets, being depreciated	<u>103,329,655</u>	<u>405,203</u>	<u>(575,145)</u>	<u>103,159,713</u>
Less: accumulated depreciation for:				
Buildings and improvements	(18,567,020)	(1,050,376)	-	(19,617,396)
Machinery and equipment	(31,725,321)	(3,462,831)	186,635	(35,001,517)
Total accumulated depreciation	<u>(50,292,341)</u>	<u>(4,513,207)</u>	<u>186,635</u>	<u>(54,618,913)</u>
Total capital assets, being depreciated, net	<u>53,037,314</u>	<u>(4,108,004)</u>	<u>(388,510)</u>	<u>48,540,800</u>
Business-type activities capital assets, net \$	<u>61,003,923</u>	<u>(1,128,617)</u>	<u>(447,217)</u>	<u>\$ 59,428,089</u>

**NOTE 3      CAPITAL ASSETS (CONTINUED)**

**Depreciation Expense**

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

	Amount
General government	\$ 651,051
Public safety	1,622,854
Public works	367,875
Parks, recreation, and culture	481,309
Housing and community development	107,455
Internal service funds depreciation charged to programs based on asset usage	1,173
Allocated depreciation	3,231,717
Unallocated infrastructure depreciation	704,807
Total depreciation expense - governmental activities	\$ 3,936,524

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

	Amount
Transit	\$ 4,024,091
Golf Course	269,201
Montebello Hilton	160,775
Other business units	59,140
Total depreciation expense -business-type activities	\$ 4,513,207

**NOTE 4      NOTES RECEIVABLE**

Notes receivable at June 30, 2014 include the following:

	Amount
Low and Moderate Housing loans	\$ 5,905,908
Community Development Block Grant loans	970,099
	\$ 6,876,007

**NOTE 4      NOTES RECEIVABLE (CONTINUED)**

**Low and Moderate Housing Loans**

Montebello Downtown Plaza Project

On December 26, 2001, the Agency entered into an Owner Participation Agreement (Agreement) with the Montebello Downtown Plaza LLC (Participant) for the acquisition, development, and operation of affordable senior citizen rental units and retail commercial buildings. The Agreement, which was amended and restated on October 26, 2005, provides that the now dissolved Redevelopment Agency loan a total amount of \$6,250,000 from the Low- and Moderate-Income Housing Fund for the acquisition of property and construction of affordable senior housing units only. The Participant was to provide financing for costs in excess of \$6,250,000. The unpaid balance of the loan outstanding at June 30, 2014 was \$5,276,308. The loan is to be forgiven over a period of 99 years. The loan receivable balance is offset by a similar amount in the deferred inflows of resources account.

Whittier Project

In March 2000, the now dissolved Redevelopment Agency entered into an Owner Participation Agreement with Garfield Financial Corporation (Owner), whereby the Agency was to loan the Owner money for the construction of an affordable housing project. In accordance with the agreement, the amounts disbursed accrue interest at the rate of 7% compounded annually. In fiscal year 2005, the terms of the note were changed to forgive the loan over a period of 99 years. The loan receivable balance is offset by a similar amount in the deferred inflows of resources account. The balance of the note receivable at June 30, 2014 was \$629,600.

**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 was to 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.

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 demanded payment from the developer who failed to provide the City the proper documentation to support the expenditure. On January 3, 2014, the developer repaid the loan in full.

**Community Development Block Grant Loans**

At June 30, 2014, loans made to individual homeowners under the Community Development Block Grant program amounted to \$970,099. These loans are payable when the borrowers sell the property.

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

The composition of interfund balances as of June 30, 2014 is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount
General fund	Other governmental funds	\$ 225,675
	Golf course enterprise fund	1,301,527
	Housing fund	370,664
Debt service fund	Golf course enterprise fund	346,449
Other governmental funds	Golf course enterprise fund	29,611
	Housing fund	63,770
	General fund	13,555
		<u>\$ 2,351,251</u>

The receivable of the General Fund, Debt Service 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:

	Transfers In								Total
	General Fund	Other Governmental Funds	Debt Service Fund	Internal Service Fund	Transit Enterprise Fund	Golf Course Enterprise Fund	Montebello Hilton Enterprise Fund	Other Enterprise Funds	
<b>Transfers out</b>									
(A) General fund	\$ -	\$ 288,555	\$ -	\$ 1,752,000	\$ -	\$ 400,000	\$ -	\$ 620,000	\$ 3,060,555
(B) Retirement special revenue fund	8,023,852	-	-	-	-	-	-	-	8,023,852
(C) Other governmental funds	1,900,000	1,631,261	-	796,697	181,218	-	1,445,551	-	5,954,727
(D) Internal service funds	804,970	-	-	-	-	-	-	-	804,970
(E) Montebello Hilton	-	-	1,854,444	-	-	-	-	-	1,854,444
Total governmental activities	<u>\$ 10,728,822</u>	<u>\$ 1,919,816</u>	<u>\$ 1,854,444</u>	<u>\$ 2,548,697</u>	<u>\$ 181,218</u>	<u>\$ 400,000</u>	<u>\$ 1,445,551</u>	<u>\$ 620,000</u>	<u>\$ 19,698,548</u>

(A) Transfers from the General Fund of: \$288,555 to Other Governmental Funds to fund capital outlays; \$182,000 to the Internal Service Fund to contribute its share of the supplies and insurance expenses; and, \$400,000 and \$620,000 to the Golf Course and Other Enterprise funds, respectively, to subsidize the enterprise funds' operating expenses.

(B) Transfer of \$8,023,852 from the Retirement Fund to the General Fund to pay the annual City retirement contributions.

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

- (C) Transfers from the Other Governmental Funds of: \$1,900,000 to the General Fund to reimburse street maintenance expenses paid by the General Fund; \$1,631,261 to Other Governmental Funds and \$796,697 to the Internal Service Funds to fund capital outlays; \$181,218 to the Transit Enterprise Fund to reimburse expenses paid by the Transit Enterprise Fund; and, \$1,445,551 to the Montebello Hilton Enterprise Fund for debt service.
- (D) Transfer from the Internal Service Funds of \$804,970 to the General Fund to reimburse the General Fund for corporate shop supplies and services.
- (E) Transfer of \$1,854,444 from the Montebello Hilton Enterprise Fund to the Debt Service Fund to pay for debt service on the 2004 revenue bonds issued to finance the acquisition, construction and equipping of the hotel facility.

**NOTE 6      DUE FROM SUCCESSOR AGENCY TRUST FUND**

At June 30, 2014, the Successor Agency has a net liability to the City of \$9,032,261, which is reported in the Statement of Net Position as Due from Successor Agency. This amount includes \$8,956,665 due to the Housing 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 for the deferral of the 20% set-aside due the former Low and Moderate Income Housing Fund of the former redevelopment agency by one of the project areas of the former redevelopment agency.

**NOTE 7      HOTEL MANAGEMENT AGREEMENT**

Pursuant to a Hotel Management Agreement dated November 29, 2001, the Montebello Hilton Hotel (Hotel) is charged by Hotel Adventures LLC (HALLC) an annual management fee which includes an operational amount and a projected franchise fee assessed by Hilton Hotels. The actual franchise fee amount is paid directly to Hilton Hotels from the City's Montebello Hilton (Enterprise) Fund. The obligation of the City to pay the management fee is subordinated to the payment of operating expenses and debt service on the Bonds issued to finance Hotel construction. Unpaid fees, consisting of the management fee and any franchise fee differential between projected franchise fees and actual franchise fees paid to Hilton Hotels, accrue interest at a prime lending rate established by Citibank, N.A. All unpaid fees are to be paid when sufficient revenues are available but no later than the termination date of the hotel management agreement in 2017.

During fiscal year 2014, the Hotel recorded expense for management fees (including the franchise fee differential) and interest on management fees of \$782,389, and \$229,245, respectively. Accrued unpaid expenses for management fees and interest at June 30, 2014 amounted to \$5,872,180 and \$1,555,320, respectively, for a total of \$7,427,500. The accrued liability includes amounts due September 2, 2014, for fees incurred from January 1 to June 30, 2014 of \$266,172.

**NOTE 8      LONG-TERM LIABILITIES**

The following is a summary of long-term liability transactions for the year ended June 30, 2014:

Governmental Activities

	Balance			Balance	Amount
	July 1, 2013	Additions	Reductions	June 30, 2014	Due Within
					One Year
Bonds payable					
Revenue bonds	\$ 14,800,000	\$ -	\$ (430,000)	\$ 14,370,000	\$ 485,000
Certificates of participation	17,447,900	-	(945,040)	16,502,860	986,500
Subtotal bonds payable	<u>32,247,900</u>	-	<u>(1,375,040)</u>	<u>30,872,860</u>	<u>1,471,500</u>
Less: bond discount	<u>(96,673)</u>	-	<u>8,530</u>	<u>(88,143)</u>	-
Total bonds payable	32,151,227	-	(1,366,510)	30,784,717	1,471,500
Claims payable	12,963,445	1,997,565	(1,844,567)	13,116,443	4,527,000
Notes payable	5,624,106	-	(289,000)	5,335,106	301,000
Compensated absences	3,106,704	-	(76,770)	3,029,934	3,777
Other post-employment benefit obligation	<u>5,422,064</u>	<u>1,486,520</u>	<u>(411,620)</u>	<u>6,496,964</u>	-
Total governmental activities	<u>\$ 59,267,546</u>	<u>\$ 3,484,085</u>	<u>\$ (3,988,467)</u>	<u>\$ 58,763,164</u>	<u>\$ 6,303,277</u>

Business-type Activities

	Balances			Balance	Amount
	July 1, 2013	Additions	Reductions	June 30, 2014	Due Within
					One Year
Golf enterprise fund					
Certificates of participation	\$ 4,407,100	-	(209,960)	\$ 4,197,140	\$ 218,500
Notes payable	843,294	1,027,213	(201,773)	1,668,734	320,454
Compensated absences	<u>1,045,085</u>	<u>36,586</u>	<u>-</u>	<u>1,081,671</u>	<u>800,923</u>
Total business-type activities	<u>\$ 6,295,479</u>	<u>\$ 1,063,799</u>	<u>\$ (411,733)</u>	<u>\$ 6,947,545</u>	<u>\$ 1,339,877</u>

**NOTE 8      LONG-TERM LIABILITIES (CONTINUED)**

**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 former 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 reacquisition price exceeded the net carrying amount by \$604,199 which is now being presented as deferred outflows and amortized over the remaining life of the refunded debt. As a result, the 2001A Revenue Bonds are considered to be defeased, and the liability for those bonds has been removed from the long-term liabilities.

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

The bank which provides the letter of credit on the Variable Rate Lease Revenue Refunding Bonds will no longer issue the letter of credit after June 30, 2015. The City is currently reviewing financing alternatives.

**NOTE 8      LONG-TERM LIABILITIES (CONTINUED)**

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, 2014 was \$14,370,000.

The annual requirements to amortize revenue bonds outstanding as of June 30, 2014, included in the long-term liabilities, at the variable interest rate then in effect of 0.23% as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 485,000	\$ 107,775	\$ 592,775
2016	500,000	104,138	604,138
2017	515,000	100,388	615,388
2018	535,000	96,525	631,525
2019	550,000	92,513	642,513
2020-2024	3,045,000	397,800	3,442,800
2025-2029	3,580,000	275,850	3,855,850
2030-2034	4,215,000	132,338	4,347,338
2035-2036	945,000	7,088	952,088
Totals	<u>\$ 14,370,000</u>	<u>\$ 1,314,415</u>	<u>\$ 15,684,415</u>

**B. Certificates of Participation**

**2000 Certificates of Participation**

In October 2000, the Montebello Public Improvement Corporation (MPIC) 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 8      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%

Pursuant to the Reimbursement Agreements established between the City and the former Redevelopment Agency, the Successor Agency was required to reimburse the City in an amount equal to the debt service payments required as indicated above through May 2014. Beginning November 1, 2014 through maturity, the City is responsible for debt service on the 2000 COPs.

The outstanding balance at June 30, 2014 is \$12,595,000.

2014B Lease Revenue Refunding Bonds

On September 10, 2014, the City issued the 2014 Lease Revenue Refunding Bonds (LRRBs), Series B, of \$10,040,000 which defeases the \$12,595,000 of principle due on the 2000 COPs. The Bonds are payable from lease payments to be made by the City to the Montebello Public Finance Authority (MPFA) as rental for certain public facilities consisting of the City Hall and Police Department pursuant to the Lease Agreement. The City is required under the Lease Agreement to make payments in each fiscal year to pay the annual principal and interest due on the Bonds. Annual installments of \$1,332,931 to \$1,350,889 are due November 1, 2014 through November 1, 2026. Interest rates on the 2014 Series B LRRBs range from 0.30% to 5.0%. The annual requirements to amortize the 2014 Series B LRRBs are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 745,000	\$ 286,564	\$ 1,031,564
2016	595,000	434,200	1,029,200
2017	625,000	409,800	1,034,800
2018	645,000	384,400	1,029,400
2019	675,000	354,625	1,029,625
2020-2024	3,910,000	1,219,250	5,129,250
2025-2027	2,845,000	217,875	3,062,875
Totals	\$ 10,040,000	\$ 3,306,714	\$ 13,346,714

**NOTE 8                    LONG-TERM LIABILITIES (CONTINUED)**

2001 Certificates of Participation

In December 2001, the MPIC issued \$8,570,000 2001 Variable Rate Demand Taxable Certificates of Participation to provide funds to refund in advance the remaining 1997 and 1995 Certificates of Participation. The Certificates are payable from the revenues pledged under a Trust agreement, consisting primarily of lease payments to be made by the City to the MPIC as rental of the golf course pursuant to a lease agreement. The City is required under the lease agreement to make payments in each fiscal year in consideration of use of the golf course from any source of available funds, which includes motor vehicle license fees in an amount sufficient to pay the annual principal and interest due with respect to the Certificates subject to abatement as described in the Certificate documents. If funds are not available to the City to make the lease payments, the Trustee can lease the golf course to a third party in order to satisfy the obligation to pay the Certificate holders. 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, 2014 was 1.62%.

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, 2014 is \$3,907,860.

**NOTE 8                    LONG-TERM LIABILITIES (CONTINUED)**

2014C Lease Revenue Refunding Bonds

On September 10, 2014, the City Issued 2014 Lease Revenue Refunding Bonds Series C of \$5,395,000 which defeases the principle due on the 2001 COPs. The Bonds are payable from lease payments to be made by the City to the Montebello Public Finance Authority (MPFA) as rental for certain public facilities consisting of the City Hall and Police Department pursuant to the Lease Agreement. The City is required under the Lease Agreement to make payments in each fiscal year to pay the annual principal and interest due on the Bonds. Interest rates on the 2014 Series C LRRBs range from 0.40% to 4.07%. Annual installments of \$440,623 to \$647,922 are due November 1, 2014 through November 1, 2024.

The pledges of Motor Vehicle License Fees, as well as the ability for the Trustee to lease the golf course property to a third party in case of nonpayment as related to the 2001 COPs are no longer in effect.

The City's share (76.4%) from this new debt is \$4,121,780 and the Golf Course Enterprise Fund's share (23.6%) is \$1,273,220. The annual requirements to amortize the 2014 LRRBs are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 263,580	\$ 73,056	\$ 336,636
2016	259,760	112,582	372,342
2017	286,500	109,801	396,301
2018	332,340	105,143	437,483
2019	378,180	97,524	475,704
2020-2024	2,116,280	297,265	2,413,545
2025-2027	485,140	9,873	495,013
Totals	<u>\$ 4,121,780</u>	<u>\$ 805,243</u>	<u>\$ 4,927,023</u>

**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
2015	\$ 301,000	\$ 234,647	\$ 535,647
2016	316,000	218,975	534,975
2017	331,000	202,475	533,475
2018	348,000	184,796	532,796
2019	366,000	165,729	531,729
2020-2024	2,153,000	496,245	2,649,245
2025-2026	631,000	22,764	653,764
Totals	<u>\$ 4,446,000</u>	<u>\$ 1,525,631</u>	<u>\$ 5,971,631</u>

**NOTE 8                    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 expenditures and directed the City to repay the amount. In September 2011, the City paid \$1,300,000 to HUD. As at June 30, 2014, the remaining amount of \$889,106 remains unpaid. The City has collected \$1,300,000 of these funds from a third party involved with the grant-funded project (see Note 4).

D. Claims Payable

Refer to Note 11 for more information on these liabilities.

E. Compensated Absences

The noncurrent portion of the accumulated compensated absences liabilities, liquidated primarily by the General Fund, of \$3,026,157, has no repayment schedule at June 30, 2014.

F. Other Postemployment Benefit Obligation

Refer to Note 10 for more information on these obligations.

**Business-type Activities**

G. 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, 2014 was \$2,990,000.

**NOTE 8      LONG-TERM LIABILITIES (CONTINUED)**

2014A Lease Revenue Refunding Bonds

On September 10, 2014, the City issued 2014 Lease Revenue Refunding Bonds Series A of \$2,755,000 which defeases the outstanding principle due on the 1999 COPs. The Bonds are payable from lease payments to be made by the City to the Montebello Public Finance Authority (MPFA) as rental for certain public facilities consisting of the City Hall and Police Department pursuant to the Lease Agreement. The City is required under the Lease Agreement to make payments in each fiscal year to pay the annual principal and interest due on the Bonds. Annual Installments of \$232,111 to \$234,025 are due from November 1, 2014 through November 1, 2028. Interest rates on the 2014 Series A LRRBs range from 0.30% to 3.5%.

The pledges of Motor Vehicle License Fees, as well as the ability for the Trustee to lease the golf course property to a third party in case of nonpayment as related to the 1999 COPs are no longer in effect.

H. 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 proceeds from the 2001 Certificates were 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, 2014 was 1.62%.

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 8      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, 2014 is \$1,207,140.

2014C Lease Revenue Refunding Bonds

In September 2014, the City Issued 2014 Lease Revenue Refunding Bonds Series C of \$5,395,000 which defeases the principle due on the 2001 COPs. The Bonds are payable from lease payments to be made by the City to the Montebello Public Finance Authority (MPFA) as rental for certain public facilities consisting of the City Hall and Police Department pursuant to the Lease Agreement. The City is required under the Lease Agreement to make payments in each fiscal year to pay the annual principal and interest due on the Bonds. Interest rates on the 2014 Sereis C LRRBs range from 0.40% to 4.07%. Annual installments of \$440,623 to \$647,922 are due November 1, 2014 through November 1, 2024.

The pledges of Motor Vehicle License Fees, as well as the ability for the Trustee to lease the golf course property to a third party in case of nonpayment as related to the 2001 COPs are no longer in effect.

The share of the Golf Course Enterprise Fund of this new debt is \$1,273,220

I. Debt Service Requirements

The annual requirements to amortize the 2014 LRRBs Series A and Series C are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 256,420	\$ 79,678	\$ 336,098
2016	225,240	121,489	346,729
2017	233,500	116,281	349,781
2018	257,660	110,342	368,002
2019	276,820	102,463	379,283
2020-2024	1,558,720	350,988	1,909,708
2025-2029	1,219,860	95,916	1,315,776
Totals	\$ 4,028,220	\$ 977,157	\$ 5,005,377

**NOTE 8      LONG-TERM LIABILITIES (CONTINUED)**

**Loans Payable**

The City entered into two loan agreements with Quiet Cannon Montebello, Inc. (Quiet Cannon). Quiet Cannon leases a facility in the City's golf course property. The loans were obtained by Quiet Cannon on behalf of the City from a financial institution payable in monthly installments ranging from \$5,969 to \$6,658 at prime interest rate (currently 3.25%) until year 2021. The installment payments are deducted by Quiet Cannon from its lease payments to the City. The loan proceeds were used to finance the renovation of the facility and signage.

During the year ended June 30, 2014, the City entered into a Maintenance Loan Agreement with Quiet Cannon for \$700,000. Under the agreement, Quiet Cannon shall borrow the amount from a financial institution payable over a period of 5 years at prime lending rate. The loan repayment shall be offset by Quiet Cannon from its rental obligation to the City.

In July 2013, the City entered into a zero percent On-Bill Financing Agreement with the Southern California Edison Company for the installation of certain energy efficient equipment at the Golf Course premises for a total amount of \$327,213 payable over a period of 116 months.

As at June 30, 2014, the total outstanding loans payable amounted to \$1,668,734.

**NOTE 9      DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS 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. As the employer, the City is required to contribute at an actuarially determined rate. The rates for the years ended June 30, 2014, 2013, and 2012 were 18.43%, 19.42%, and 18.08% of annual covered payroll for nonsafety employees and 39.37%, 36.79%, and 34.53% 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.

**NOTE 9      DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Annual Pension Cost**

For fiscal year 2013-2014, the City's annual pension cost was \$7,924,118 and the City actually contributed \$7,389,340 (does not include the employee share which the employer contributed). The required contribution was determined as part of the June 30, 2011 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) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%.

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, 2012	\$ 8,457,300	102%	-
June 30, 2013	8,395,018	106%	-
June 30, 2014	7,924,118	93%	-

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

As of June 30, 2013, the most recent actuarial valuation date, the Plan was 75% funded. The actuarial accrued liability for benefits was \$149,443,825 and the actuarial value of assets was \$111,719,990, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,723,835. The covered payroll (annual payroll of active employees covered by the Plan) was \$15,367,685 and the ratio of the UAAL to the covered payroll was 245.5%.

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, 2013, the most recent actuarial valuation date, the Plan was 68.5% funded. The actuarial accrued liability for benefits was \$194,681,056 and the actuarial value of assets was \$133,317,742 resulting in an unfunded actuarial accrued liability of \$61,363,314. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,897,311 and the ratio of the UAAL to the covered payroll was 563.1%.

**NOTE 9      DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 10      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 the Montebello Police Officers Association (MPOA), the Montebello Police Management Association (MPMA), and the Montebello Fire Fighters Association (MFFA) and to Medicare eligibility age for all other retirees. The City provides the CalPERS minimum required employer contribution (\$119 per month in 2014 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, 2014, the City paid \$411,620 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:

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

		Amount
Annual required contribution	\$	1,600,499
Interest on net OPEB obligation		243,993
Adjustment to ARC		(357,972)
Annual OPEB cost (expense)		1,486,520
Contributions made		411,620
Increase in net OPEB obligation		1,074,900
Net OPEB obligation- beginning of year		5,422,064
Net OPEB obligation- end of year	\$	6,496,964

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, 2014, as well as for the preceding years, were as follows:

Fiscal Years Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2012	\$	1,457,299	40.4%	\$	4,441,724
June 30, 2013		1,482,814	33.9%		5,422,064
June 30, 2014		1,486,520	27.7%		6,496,964

**Funded Status and Funding Progress**

The UAAL as of July 1, 2014, the most current information available, amounted to \$18,814,978.

		Amount
Actuarial accrued liability (AAL)	\$	18,814,978
Actuarial value of Plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	18,814,978
Funded ratio (actuarial value of Plan assets/AAL)		0%
Covered payroll	\$	19,242,000
UAAL as a percentage of covered payroll		98%

**NOTE 10      OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2014 actuarial valuation (the most recent 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 3.00% per annum, and a general inflation rate of 2.80% per year. The UAAL is being amortized over an initial 30 years using a level-dollar amortization method.

**NOTE 11      SELF INSURANCE**

The City is partially self-insured for general liability and workers' compensation claims. The City pays up to \$1 million per occurrence for general liability claims, 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, 2014, the present value of the estimated liability for claims payable, discounted at a 2% rate, is \$13,116,443, 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.

**NOTE 11 SELF INSURANCE (CONTINUED)**

	Amount
Insurance Claims Payable:	
Claims payable at July 1	\$ 12,963,445
Claims incurred during the fiscal year	5,624,938
Payments on claims during the fiscal year	(5,471,940)
Claims Payable at June 30	\$ 13,116,443

**NOTE 12 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the City recognized deferred outflows of resources in the City’s financial statements. The deferred outflow of resources, amounting to \$117,482, pertains to the unamortized loss on defeasance of debt. Previous financial reporting standards required this amount to be presented as part of the City’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred inflow of resources in the governmental funds balance sheet, amounting to \$7,200,698 at June 30, 2014, pertains to unavailable revenues which represent receivables that were not collectible within the availability period.

**NOTE 13 REQUIRED INDIVIDUAL FUND DISCLOSURES**

**Deficit Fund Equity**

The Montebello Hilton Enterprise Fund (Hotel) has a net position deficit of \$4,199,789. The operating revenues are pledged for payment of debt service on the 2004 Revenue Bonds (see Note 8H). 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, 2014, \$7,427,500 of the accounts and interest payable is owed to the management company for the accumulated management fees and related items, and is recorded as Accounts Payable and Accrued Liabilities and Interest Payable in the Montebello Hilton Enterprise Fund. The City will ultimately be required to pay this amount, which will remove the deficit. The management agreement between the City and its hotel management company expires in December 2017.

The City is required to make annual payments pursuant to a Construction Management Agreement between the City and the management company of the hotel, for providing management services during the hotel’s construction period. Annual payments of \$57,659 are due each November until November 2016.

**NOTE 13      REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)**

The Self-Insurance Internal Service Fund has a net position deficit of \$1,428,051. City management plans to eliminate the deficit by future revenues or transfers from other funds.

**NOTE 14      ENCUMBRANCES**

At June 30, 2014, there were outstanding encumbrances, which represent commitments on open purchase orders or contracts, of \$193,576 in the governmental funds and \$27,256 in the enterprise funds.

**NOTE 15      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 and 1993 Tax Allocation Bonds**

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.

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 was to receive 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 was 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.

**NOTE 15      CONTINGENCIES (CONTINUED)**

In May 2011, the Agency agreed to prepay a portion of its obligations under the Reimbursement Agreements in the amount of \$13,487,438, which is the discounted value of future lease payments to be made by the City in connection with the COPs. In lieu of a cash payment from the Agency, it was agreed that the City would reduce the balance it owed to the Agency on the TRAN by the same amount of \$13,487,438. 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 (private purpose trust) fund.

On January 17, 2014 the City was notified by the California Department of Finance (DOF) that the above-referenced Prepayment Partial Satisfaction Agreement between the City and the former Redevelopment Agency was determined by DOF not to be an enforceable obligation. The DOF thereby demanded the City remit back to the Successor Agency the amount of \$13,487,438.

Also on January 17, 2014, the City was notified by DOF that the redemption of the 1993 \$4.757 million Tax Allocation Bond, which the former RDA agreed to pay and did pay, with accrued interest of approximately \$285 thousand, was determined not to be an enforceable obligation. The DOF thereby demanded the City remit back to the Successor Agency \$5,042,436.

On February 28, 2014, after meeting with the DOF representatives on February 6, 2014, the DOF informed the City that since the State Controller did not question the above transactions, the DOF will not pursue any actions contrary to the State Controller's determinations.

**Expense Reimbursement Payments**

The City is currently in litigation with the DOF concerning the legality of approximately \$4.3 million in payments made by the RDA to the City in the months prior to the former's dissolution. In connection with an audit of RDA assets (known as the "due diligence review"), DOF determined these payments were unlawful and must be returned by the City for allocation to County taxing entities. The City is challenging this determination on a number of constitutional and statutory grounds.

In September 2014, the Sacramento Superior Court issued an interim ruling in the case, ordering DOF to reconsider its determination in light of evidence presented and arguments made by the City in the litigation. In November 2014, DOF issued a revised determination approving of \$251,785 of the payments at issue, but disapproving of the remaining \$4,046,760. The City is in the process of pursuing its legal challenge related to the disputed amount.

The City's lawsuit is just one of hundreds brought challenging DOF's implementation of the Dissolution Act. Several of these cases are now on appeal, and decisions in those cases may bear on the merits of the City's challenge.

**NOTE 15      CONTINGENCIES (CONTINUED)**

In light of this acknowledgement, the multitude of related lawsuits filed by similar situated local agencies, and legal uncertainties concerning proper implementation of AB 1x26 and AB 1484, no liability to the Successor Agency has been recorded in the accompanying financial statements.

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

The accompanying financial statements also include the Private-purpose Trust Fund for the Successor Agency to the City's former Redevelopment Agency (Successor Agency). The City, as the Successor Agency, serves in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. Its assets are held in trust for the benefit of the taxing entities within the former Redevelopment Agency's boundaries and as such, are not available for the use of the City.

Disclosures related to the certain assets and long-term liabilities of the Successor Agency are as follows:

**Disclosure of Successor Agency Receivables**

**Notes Receivable**

Notes receivable at June 30, 2014 include the following:

	Amount
Quiet Cannon	\$ 2,182,178
Casa La Merced	666,308
Business assistance program	640,602
Home improvement loans	437,394
Total \$	3,926,482

**Quiet Cannon Montebello, Inc.**

The Agency leases a facility to Quiet Cannon Montebello, Inc. (Quiet Cannon). The Agency agreed to provide financing for the renovation and improvement of the leased facility and in return Quiet Cannon agreed to make additional rental payments. As of June 30, 2014, \$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, 2014. The interest receivable is covered by a 100% provision for bad debts.

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

**Business Assistance Program**

Business improvement loans were made in the prior years between the Agency and local merchants. The loans are secured by the real estate property and personal guaranty of the borrowers. As of June 30, 2014, \$640,602 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, 2013 was \$437,394.

**Disclosure of Successor Agency Debts**

Details of the Successor Agency's long-term debt as of June 30, 2014 follow:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year
Bonds payable					
Tax allocation bonds	\$ 59,009,770	\$ 479,749	\$ (4,180,000)	\$ 55,309,519	\$ 4,470,000
Notes payable	3,863,631	-	(147,331)	3,716,300	154,837
Total governmental activities	\$ 62,873,401	\$ 479,749	\$ (4,327,331)	\$ 59,025,819	\$ 4,624,837

**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%	\$ 2,460,000
\$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%	3,735,000
\$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%	1,645,000
\$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%	835,000

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

	<u>Amount</u>
\$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%	7,156,114
\$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%	2,045,000
\$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%	2,775,000
\$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%	10,155,000
\$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%	4,795,000
\$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%	2,225,000
\$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%	4,860,000
Total Nonhousing Tax Allocation Bonds \$	42,686,114

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.

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

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.

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 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.

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

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.

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.

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

	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%	\$            2,180,000
\$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%.	6,133,405
\$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%	4,310,000
Total Housing Tax Allocation Bonds	\$            12,623,405

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.

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2014, included in the long-term liabilities are as follows:

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

Year Ending June 30,	Principal	Interest	Total
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	5,080,000	1,915,357	6,995,357
2019	5,365,000	1,637,634	7,002,634
2020-2024	25,979,519	10,072,146	36,051,665
2025-2027	4,510,000	643,242	5,153,242
	<u>\$ 55,309,519</u>	<u>\$ 21,577,789</u>	<u>\$ 76,887,308</u>

**Note Payable**

Redevelopment Agency Note

The former 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 year as well as the prior fiscal years with total annual payment of \$337,780 inclusive of interest. At June 30, 2014, the principal amount outstanding is \$3,716,300.

Annual debt service payments on this note are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 155,560	\$ 182,220	\$ 337,780
2016	163,519	174,261	337,780
2017	171,885	165,895	337,780
2018	180,679	157,101	337,780
2019	189,921	147,859	337,780
2020-2024	1,105,689	583,211	1,688,900
2025-2029	1,418,995	269,905	1,688,900
2030	330,052	7,728	337,780
Totals	<u>\$ 3,716,300</u>	<u>\$ 1,688,180</u>	<u>\$ 5,404,480</u>

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

**Due to City of Montebello**

At June 30, 2014, the Successor Agency has a net liability to the City of \$9,032,261, which is reported in the Statement of Fiduciary Net Position as Due to City of Montebello. This amount includes \$8,956,665 due to the Housing 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. Refer to Note 6.

**Commitment**

Pursuant to the agreement dated November 1, 2000 with the City in connection with the development and operation of the hotel facility, the former redevelopment agency agreed to pay, solely from tax revenues from the Project Areas, any shortfall of amounts in the Lease Payment Account in the Debt Service Fund to pay the City's lease payments required to pay the debt service on the 2004 Revenue Refunding Bonds, Series A (see Note 8). This commitment was recognized by the California Department of Finance as an enforceable obligation of the Successor Agency.

**NOTE 17      EXTRAORDINARY ITEM**

During the fiscal year 2013/2014, with the assumption of the housing function by the City, the remaining fund balances totaling \$501,678 of the former Low and Moderate Income Housing Fund were transferred from the Successor Agency fiduciary fund to the City's Housing Fund and reported under extraordinary item. See Note 1 for additional information.

**NOTE 18      SUBSEQUENT EVENTS**

The City has evaluated events subsequent to June 30, 2014 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 27, 2015, 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 except for the following:

On September 10, 2014, MPIC issued Lease Revenue Refunding Bonds Series 2014A, 2014B, and 2014C totaling \$18.19 million to refund the 1999, 2000, and 2001 Certificates of Participation. Refer to Note 8 for additional information.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Montebello**  
**Schedules of Funding Progress**  
**June 30, 2014**

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, 2011	\$ 116,546	\$ 135,733	\$ 19,187	85.9%	\$ 16,467	117%
June 30, 2012	121,796	139,990	18,194	87.0%	15,322	119%
June 30, 2013	111,720	149,444	37,724	74.8%	15,368	245%

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, 2011	\$ 144,657	\$ 180,477	\$ 35,820	80.2%	\$ 10,711	334%
June 30, 2012	148,772	183,093	34,321	81.3%	10,541	326%
June 30, 2013	133,318	194,681	61,363	68.5%	10,897	563%

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)
July 1, 2010	\$ -	\$ 15,055	\$ 15,055	-	\$ 23,000	65.5%
July 1, 2012	-	15,690	15,690	-	22,398	70.1%
July 1, 2014*	-	18,815	18,815	-	19,242	97.8%

\*latest available actuarial report

**City of Montebello**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Sales taxes	\$ 10,999,555	\$ 10,999,555	\$ 11,725,818	\$ 726,263
Property taxes	4,570,000	4,570,000	6,362,551	1,792,551
Other taxes	430,000	430,000	473,645	43,645
Franchise taxes	1,299,988	1,299,988	1,303,603	3,615
Licenses and permits	5,045,863	5,045,863	4,617,905	(427,958)
Fines and forfeitures	1,722,123	1,722,123	1,774,912	52,789
Investment income	10,000	10,000	17,660	7,660
Intergovernmental	5,232,166	5,232,166	5,397,079	164,913
Charges for services	7,125,850	7,125,850	6,410,667	(715,183)
Other revenue	1,401,074	1,401,074	1,302,499	(98,575)
<b>Total revenues</b>	<u>37,836,619</u>	<u>37,836,619</u>	<u>39,386,339</u>	<u>1,549,720</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government				
City Council	164,743	164,743	181,378	(16,635)
City Clerk	226,024	226,024	115,533	110,491
City Treasurer	25,970	25,970	19,346	6,624
City Attorney	648,600	648,600	345,431	303,169
City Administrator	615,300	615,300	782,879	(167,579)
Employee relations	585,949	585,949	595,676	(9,727)
Community promotions	24,250	24,250	18,820	5,430
Finance	2,316,406	2,316,406	2,178,968	137,438
General services	360,896	360,896	384,482	(23,586)
Governmental building maintenance	265,353	330,070	387,999	(57,929)
Total general government	<u>5,233,491</u>	<u>5,298,208</u>	<u>5,010,512</u>	<u>287,696</u>
Public safety				
Police administration	372,641	372,641	615,629	(242,988)
Field services - police	9,654,969	9,656,469	10,256,690	(600,221)
Support services - police	2,982,706	2,981,206	3,013,369	(32,163)
Investigative services	3,714,290	3,714,290	4,504,169	(789,879)
Grant	355,000	355,000	417,422	(62,422)
Fire administration	886,269	886,269	962,007	(75,738)
Fire suppression	9,587,869	9,587,869	9,777,420	(189,551)
Fire prevention	234,717	293,867	286,582	7,285
Fire communications	223,311	164,161	117,915	46,246
Total public safety	<u>28,011,772</u>	<u>28,011,772</u>	<u>29,951,203</u>	<u>(1,939,431)</u>
Public works				
Administration	-	525,000	15,535	509,465
Streets	6,222,291	6,783,291	6,578,768	204,523
Total Public works	<u>6,222,291</u>	<u>7,308,291</u>	<u>6,594,303</u>	<u>713,988</u>

**City of Montebello**  
**Budgetary Comparison Schedule**  
**General Fund (Continued)**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation				
Parks and recreation administration	\$ 340,378	\$ 340,378	\$ 388,702	\$ (48,324)
Recreation services	1,936,776	1,936,776	1,900,160	36,616
Parks maintenance	1,292,343	1,540,902	1,605,328	(64,426)
Trees	285,352	285,352	355,553	(70,201)
AB939	307,870	307,870	162,362	145,508
Total parks and recreation	<u>4,162,719</u>	<u>4,411,278</u>	<u>4,412,105</u>	<u>(827)</u>
Housing and community development				
Community development	248,111	363,311	450,506	(87,195)
Planning	453,662	453,662	412,972	40,690
Engineering	850,527	850,527	910,653	(60,126)
Building and maintenance	343,876	343,876	337,907	5,969
Code Enforcement	189,783	74,583	28,367	46,216
Total housing and community development	<u>2,085,959</u>	<u>2,085,959</u>	<u>2,140,405</u>	<u>(54,446)</u>
Capital outlay	-	-	473,653	(473,653)
Interfund revenue	-	-	(1,991,200)	1,991,200
<b>Total expenditures</b>	<u>45,716,232</u>	<u>47,115,508</u>	<u>46,590,981</u>	<u>524,527</u>
<b>Deficiency of revenues over expenditures</b>	<u>(7,879,613)</u>	<u>(9,278,889)</u>	<u>(7,204,642)</u>	<u>2,074,247</u>
<b>Other financing sources (uses)</b>				
Transfers in	8,133,946	8,133,946	10,728,822	2,594,876
Transfers out	<u>(1,125,000)</u>	<u>(1,125,000)</u>	<u>(3,060,555)</u>	<u>(1,935,555)</u>
<b>Net, other financing sources (uses)</b>	<u>7,008,946</u>	<u>7,008,946</u>	<u>7,668,267</u>	<u>659,321</u>
<b>Change in fund balance</b>	(870,667)	(2,269,943)	463,625	2,733,568
<b>Fund balance - beginning of year</b>	8,066,750	8,066,750	8,066,750	-
<b>Fund balance - end of year</b>	<u>\$ 7,196,083</u>	<u>\$ 5,796,807</u>	<u>\$ 8,530,375</u>	<u>\$ 2,733,568</u>

**City of Montebello**  
**Budgetary Comparison Schedule**  
**Retirement Special Revenue Fund**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 9,554	\$ 9,554
Property taxes	6,700,000	6,700,000	7,216,281	516,281
<b>Total revenues</b>	<u>6,700,000</u>	<u>6,700,000</u>	<u>7,225,835</u>	<u>525,835</u>
<b>Other financing uses</b>				
Transfers out	(6,533,946)	(6,533,946)	(8,023,852)	(1,489,906)
<b>Total other financing uses</b>	<u>(6,533,946)</u>	<u>(6,533,946)</u>	<u>(8,023,852)</u>	<u>(1,489,906)</u>
<b>Change in fund balance</b>	166,054	166,054	(798,017)	(964,071)
<b>Fund balance - beginning of year</b>	<u>3,113,198</u>	<u>3,113,198</u>	<u>3,113,198</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 3,279,252</u>	<u>\$ 3,279,252</u>	<u>\$ 2,315,181</u>	<u>\$ (964,071)</u>

**City of Montebello  
Budgetary Comparison Schedule  
Housing Special Revenue Fund  
Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Other revenue	\$ -	\$ -	\$ 79,274	\$ 79,274
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>79,274</u>	<u>79,274</u>
<b>Expenditures</b>				
Housing and community development	-	-	616	(616)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>616</u>	<u>(616)</u>
<b>Change in fund balance before extraordinary item</b>	-	-	78,658	78,658
<b>Extraordinary item</b>				
RDA dissolution transactions:				
Transfer of Housing Fund balances	-	-	(501,678)	(501,678)
<b>Change in fund balance after extraordinary item</b>	-	-	(423,020)	(423,020)
<b>Fund balance - beginning of year</b>	10,989,732	10,989,732	10,989,732	-
<b>Fund balance - end of year</b>	<u>\$ 10,989,732</u>	<u>\$ 10,989,732</u>	<u>\$ 10,566,712</u>	<u>\$ (423,020)</u>

**City of Montebello**  
**Budgetary Comparison Schedule**  
**Public Financing Debt Service Fund**  
**Year ended June 30, 2014**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 500	\$ 4,500	\$ -	\$ 4,500
Other	30	30	-	30
<b>Total revenues</b>	<u>530</u>	<u>4,530</u>	<u>-</u>	<u>4,530</u>
<b>Expenditures</b>				
General government	-	-	168	(168)
Debt service				
Principal payments	430,000	430,000	430,000	-
Interest and fees	316,000	316,000	398,713	(82,713)
<b>Total expenditures</b>	<u>746,000</u>	<u>746,000</u>	<u>828,881</u>	<u>(82,881)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(745,470)	(741,470)	(828,881)	(78,351)
<b>Other financing sources</b>				
Transfers in	-	-	1,854,444	1,854,444
<b>Net other financing sources</b>	<u>-</u>	<u>-</u>	<u>1,854,444</u>	<u>1,854,444</u>
<b>Change in fund balance</b>	(745,470)	(741,470)	1,025,563	1,776,093
<b>Fund balance - beginning of year</b>	4,688,791	4,688,791	4,688,791	-
<b>Fund balance - end of year</b>	<u>\$ 3,943,321</u>	<u>\$ 3,947,321</u>	<u>\$ 5,714,354</u>	<u>\$ 1,776,093</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.
- 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, 2014**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds Capital Improvements</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 7,542,589	\$ 403,301	\$ 1,045,901	\$ 8,991,791
Cash and investments with fiscal agent	-	1,818,666	-	1,818,666
Receivables:				
Accounts	1,219,012	-	-	1,219,012
Notes	970,099	-	-	970,099
Prepaid expenses	16,377	-	-	16,377
Due from successor agency trust fund	75,596	-	-	75,596
Due from other funds	13,555	29,611	63,770	106,936
<b>Total assets</b>	<u>\$ 9,837,228</u>	<u>\$ 2,251,578</u>	<u>\$ 1,109,671</u>	<u>\$ 13,198,477</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,100,667	\$ 5,000	\$ 18,680	\$ 1,124,347
Due to other funds	225,675	-	-	225,675
Unearned revenues	40,003	-	-	40,003
<b>Total liabilities</b>	<u>1,366,345</u>	<u>5,000</u>	<u>18,680</u>	<u>1,390,025</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	<u>1,294,790</u>	<u>-</u>	<u>-</u>	<u>1,294,790</u>
<b>Fund balances</b>				
Nonspendable				
Prepaid expenses	16,377	-	-	16,377
Restricted for				
Debt service	-	2,246,578	-	2,246,578
Capital projects	-	-	1,090,991	1,090,991
Special revenue funds	7,159,716	-	-	7,159,716
<b>Total fund balances</b>	<u>7,176,093</u>	<u>2,246,578</u>	<u>1,090,991</u>	<u>10,513,662</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 9,837,228</u>	<u>\$ 2,251,578</u>	<u>\$ 1,109,671</u>	<u>\$ 13,198,477</u>

**City of Montebello**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**Year ended June 30, 2014**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds Capital Improvements	Total Other Governmental Funds
<b>Revenues</b>				
Property taxes	\$ -	\$ 1,352,781	\$ -	\$ 1,352,781
Investment income	20,377	-	2,114	22,491
Intergovernmental	7,717,988	-	-	7,717,988
Other revenue	20,246	1,014	1,883,109	1,904,369
<b>Total revenues</b>	<u>7,758,611</u>	<u>1,353,795</u>	<u>1,885,223</u>	<u>10,997,629</u>
<b>Expenditures</b>				
Current				
General government	1,642,621	19,085	-	1,661,706
Housing and community development	1,776,990	-	-	1,776,990
Public safety	1,038,027	-	-	1,038,027
Capital outlay	2,694,926	-	-	2,694,926
Debt Service				
Principal payments	289,000	945,040	-	1,234,040
Interest and fiscal charges	249,575	806,655	-	1,056,230
<b>Total expenditures</b>	<u>7,691,139</u>	<u>1,770,780</u>	<u>-</u>	<u>9,461,919</u>
<b>Excess (deficiency) of revenues over expenditures</b>	67,472	(416,985)	1,885,223	1,535,710
<b>Other financing sources (uses)</b>				
Transfers in	408,586	1,236,230	275,000	1,919,816
Transfers out	(3,272,946)	(1,445,551)	(1,236,230)	(5,954,727)
<b>Net other financing sources (uses)</b>	<u>(2,864,360)</u>	<u>(209,321)</u>	<u>(961,230)</u>	<u>(4,034,911)</u>
<b>Change in fund balance</b>	(2,796,888)	(626,306)	923,993	(2,499,201)
<b>Fund balance - beginning of year</b>	9,972,981	2,872,884	166,998	13,012,863
<b>Fund balance - end of year</b>	<u>\$ 7,176,093</u>	<u>\$ 2,246,578</u>	<u>\$ 1,090,991</u>	<u>\$ 10,513,662</u>

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.

Justice Assistance Grants – To account for revenues received from the Justice Assistance Grant Program to fund the City's 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.

TDA Article 3 Fund – To account for funds received from the State of California to maintain and improve the safety and practicality of bicycling and walking for everyday travel.

**Major Fund**

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

Housing Fund – To account for funds received to increase or improve housing for low and moderate income households.

	<u>Gas Tax</u>	<u>Supplemental Law Enforcement</u>	<u>Park Development</u>
<b>ASSETS</b>			
Cash and investments	\$ 289,391	\$ 189,554	\$ 148,572
Receivables			
Accounts	-	248	-
Notes	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Due from successor agency trust fund	-	-	-
<b>Total assets</b>	<u>\$ 289,391</u>	<u>\$ 189,802</u>	<u>\$ 148,572</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,870	\$ 10,000	\$ -
Due to other funds	-	-	-
Unearned revenue	-	-	-
<b>Total liabilities</b>	<u>2,870</u>	<u>10,000</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	-	-	-
<b>Fund balances</b>			
Nonspendable:			
Prepaid expenses	-	-	-
Restricted for:			
Special revenues	286,521	179,802	148,572
<b>Total fund balances</b>	<u>286,521</u>	<u>179,802</u>	<u>148,572</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 289,391</u>	<u>\$ 189,802</u>	<u>\$ 148,572</u>

**City of Montebello**  
**Combining Balance Sheet**  
**Other Special Revenue Funds**  
**June 30, 2014**

---

Prop A	Drug Enforcement	Prop C	Measure R
\$ 1,990,829	\$ 1,430,505	\$ 2,135,498	\$ 613,188
-	426,178	-	-
-	-	-	-
-	16,377	-	-
13,555	-	-	-
-	-	-	-
\$ 2,004,384	\$ 1,873,060	\$ 2,135,498	\$ 613,188
\$ 507,327	\$ 76,315	\$ 107,704	\$ 53,135
-	-	-	-
-	-	-	-
507,327	76,315	107,704	53,135
-	-	-	-
-	16,377	-	-
1,497,057	1,780,368	2,027,794	560,053
1,497,057	1,796,745	2,027,794	560,053
\$ 2,004,384	\$ 1,873,060	\$ 2,135,498	\$ 613,188

	Metro Station	Air Quality	Local Law Enforcement Block Grant	Justice Assistance Grants
<b>ASSETS</b>				
Cash and investments	\$ 49,142	\$ 373,865	\$ 35	\$ 51,154
Receivables				
Accounts	-	20,355	-	3,622
Notes	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Due from successor agency trust fund	-	-	-	-
<b>Total assets</b>	<b>\$ 49,142</b>	<b>\$ 394,220</b>	<b>\$ 35</b>	<b>\$ 54,776</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 35,587	\$ 4,422	\$ -	\$ 2,106
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
<b>Total liabilities</b>	<b>35,587</b>	<b>4,422</b>	<b>-</b>	<b>2,106</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	-	-
<b>Fund balances</b>				
Nonspendable:				
Prepaid expenses	-	-	-	-
Restricted for:				
Special revenues	13,555	389,798	35	52,670
<b>Total fund balances</b>	<b>13,555</b>	<b>389,798</b>	<b>35</b>	<b>52,670</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 49,142</b>	<b>\$ 394,220</b>	<b>\$ 35</b>	<b>\$ 54,776</b>

**City of Montebello  
Combining Balance Sheet  
Other Special Revenue Funds (Continued)  
June 30, 2014**

<u>Grants</u>	<u>CDBG</u>	<u>Home</u>	<u>TDA Article 3</u>	<u>Total Other Special Revenue Funds</u>
\$ -	\$ 190,418	\$ -	\$ 80,438	\$ 7,542,589
586,936	55,783	125,890	-	1,219,012
-	970,099	-	-	970,099
-	-	-	-	16,377
-	-	-	-	13,555
75,596	-	-	-	75,596
<u>\$ 662,532</u>	<u>\$ 1,216,300</u>	<u>\$ 125,890</u>	<u>\$ 80,438</u>	<u>\$ 9,837,228</u>
\$ 66,001	\$ 86,592	\$ 68,226	\$ 80,382	\$ 1,100,667
136,449	-	89,226	-	225,675
40,003	-	-	-	40,003
<u>242,453</u>	<u>86,592</u>	<u>157,452</u>	<u>80,382</u>	<u>1,366,345</u>
<u>324,691</u>	<u>970,099</u>	<u>-</u>	<u>-</u>	<u>1,294,790</u>
-	-	-	-	16,377
<u>95,388</u>	<u>159,609</u>	<u>(31,562)</u>	<u>56</u>	<u>7,159,716</u>
<u>95,388</u>	<u>159,609</u>	<u>(31,562)</u>	<u>56</u>	<u>7,176,093</u>
<u>\$ 662,532</u>	<u>\$ 1,216,300</u>	<u>\$ 125,890</u>	<u>\$ 80,438</u>	<u>\$ 9,837,228</u>

	<u>Gas Tax</u>	<u>Supplemental Law Enforcement</u>	<u>Park Development</u>
<b>Revenues</b>			
Investment income	\$ 1,604	\$ 483	\$ 370
Intergovernmental	1,975,041	94,259	-
Other revenue	-	-	-
<b>Total revenues</b>	<u>1,976,645</u>	<u>94,742</u>	<u>370</u>
<b>Expenditures</b>			
Current:			
General government	977	-	-
Public safety	-	40,000	-
Community development	-	-	-
Capital outlay	320,599	56,753	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<u>321,576</u>	<u>96,753</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,655,069</u>	<u>(2,011)</u>	<u>370</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(1,900,000)	-	-
<b>Net other financing sources (uses)</b>	<u>(1,900,000)</u>	<u>-</u>	<u>-</u>
<b>Change in fund balances</b>	(244,931)	(2,011)	370
<b>Fund balances - beginning of year</b>	<u>531,452</u>	<u>181,813</u>	<u>148,202</u>
<b>Fund balances - end of year</b>	<u>\$ 286,521</u>	<u>\$ 179,802</u>	<u>\$ 148,572</u>

City of Montebello  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Special Revenue Funds**  
**Year ended June 30, 2014**

---

Prop A	Drug Enforcement	Prop C	Measure R
\$ 5,657	\$ 3,858	\$ 5,312	\$ 1,773
1,072,346	1,077,107	890,964	663,814
-	-	-	-
1,078,003	1,080,965	896,276	665,587
1,524,956	-	66,688	50,000
-	995,896	-	-
-	-	-	-
-	467,115	639,986	770,644
-	-	-	-
-	-	-	-
1,524,956	1,463,011	706,674	820,644
(446,953)	(382,046)	189,602	(155,057)
13,555	-	-	-
(395,031)	(796,697)	-	-
(381,476)	(796,697)	-	-
(828,429)	(1,178,743)	189,602	(155,057)
2,325,486	2,975,488	1,838,192	715,110
\$ 1,497,057	\$ 1,796,745	\$ 2,027,794	\$ 560,053

	Metro Station	Air Quality	Local Law Enforcement Block Grant	Justice Assistance Grants
<b>Revenues</b>				
Investment income	\$ -	\$ 876	\$ -	\$ -
Intergovernmental	-	78,259	-	-
Other revenue	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>79,135</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	2,131
Community development	395,031	37,251	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>395,031</u>	<u>37,251</u>	<u>-</u>	<u>2,131</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(395,031)</u>	<u>41,884</u>	<u>-</u>	<u>(2,131)</u>
<b>Other financing sources (uses)</b>				
Transfers in	395,031	-	-	-
Transfers out	(181,218)	-	-	-
<b>Net other financing sources (uses)</b>	<u>213,813</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in fund balances</b>	(181,218)	41,884	-	(2,131)
<b>Fund balances - beginning of year</b>	<u>194,773</u>	<u>347,914</u>	<u>35</u>	<u>54,801</u>
<b>Fund balances - end of year</b>	<u>\$ 13,555</u>	<u>\$ 389,798</u>	<u>\$ 35</u>	<u>\$ 52,670</u>

**City of Montebello**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Special Revenue Funds (Continued)**  
**Year ended June 30, 2014**

Grants	CDBG	Home	TDA Article 3	Total Other Special Revenue Funds
\$ 444	\$ -	\$ -	\$ -	\$ 20,377
928,606	786,791	99,598	51,203	7,717,988
20,246	-	-	-	20,246
<u>949,296</u>	<u>786,791</u>	<u>99,598</u>	<u>51,203</u>	<u>7,758,611</u>
-	-	-	-	1,642,621
-	-	-	-	1,038,027
755,402	267,804	241,120	80,382	1,776,990
439,829	-	-	-	2,694,926
-	289,000	-	-	289,000
-	249,575	-	-	249,575
<u>1,195,231</u>	<u>806,379</u>	<u>241,120</u>	<u>80,382</u>	<u>7,691,139</u>
<u>(245,935)</u>	<u>(19,588)</u>	<u>(141,522)</u>	<u>(29,179)</u>	<u>67,472</u>
-	-	-	-	408,586
-	-	-	-	(3,272,946)
-	-	-	-	(2,864,360)
(245,935)	(19,588)	(141,522)	(29,179)	(2,796,888)
<u>341,323</u>	<u>179,197</u>	<u>109,960</u>	<u>29,235</u>	<u>9,972,981</u>
<u>\$ 95,388</u>	<u>\$ 159,609</u>	<u>\$ (31,562)</u>	<u>\$ 56</u>	<u>\$ 7,176,093</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 5,600	\$ 5,600	\$ 1,604	\$ (3,996)
Intergovernmental	1,767,700	1,667,700	1,975,041	307,341
<b>Total revenues</b>	<u>1,773,300</u>	<u>1,673,300</u>	<u>1,976,645</u>	<u>303,345</u>
<b>Expenditures</b>				
Current				
General government	-	54,232	977	53,255
Capital Outlay	50,000	450,000	320,599	129,401
<b>Total expenditures</b>	<u>50,000</u>	<u>504,232</u>	<u>321,576</u>	<u>182,656</u>
<b>Excess of revenues over expenditures</b>	<u>1,723,300</u>	<u>1,169,068</u>	<u>1,655,069</u>	<u>486,001</u>
<b>Other financing uses</b>				
Transfers out	(1,600,000)	(1,600,000)	(1,900,000)	(300,000)
<b>Total other financing uses</b>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>(1,900,000)</u>	<u>(300,000)</u>
<b>Change in fund balance</b>	123,300	(430,932)	(244,931)	186,001
<b>Fund balance - beginning of year</b>	531,452	531,452	531,452	-
<b>Fund balance - end of year</b>	<u>\$ 654,752</u>	<u>\$ 100,520</u>	<u>\$ 286,521</u>	<u>\$ 186,001</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, 2014**

---

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 483	\$ 483
Intergovernmental	<u>111,788</u>	<u>111,788</u>	<u>94,259</u>	<u>(17,529)</u>
<b>Total revenues</b>	<u>111,788</u>	<u>111,788</u>	<u>94,742</u>	<u>(17,046)</u>
<b>Expenditures</b>				
Current				
Public safety	-	-	40,000	(40,000)
Capital Outlay	<u>-</u>	<u>-</u>	<u>56,753</u>	<u>(56,753)</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>96,753</u>	<u>(96,753)</u>
<b>Change in fund balance</b>	111,788	111,788	(2,011)	(113,799)
<b>Fund balance - beginning of year</b>	<u>181,813</u>	<u>181,813</u>	<u>181,813</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 293,601</u>	<u>\$ 293,601</u>	<u>\$ 179,802</u>	<u>\$ (113,799)</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, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 370	\$ 370
Other revenues	2,500	2,500	-	(2,500)
<b>Total revenues</b>	2,500	2,500	370	(2,130)
<b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Change in fund balance</b>	2,500	2,500	370	(2,130)
<b>Fund balance - beginning of year</b>	148,202	148,202	148,202	-
<b>Fund balance - end of year</b>	\$ 150,702	\$ 150,702	\$ 148,572	\$ (2,130)

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Prop A Special Revenue Fund**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 8,500	\$ 8,500	\$ 5,657	\$ (2,843)
Intergovernmental	961,255	961,255	1,072,346	111,091
<b>Total revenues</b>	<u>969,755</u>	<u>969,755</u>	<u>1,078,003</u>	<u>108,248</u>
<b>Expenditures</b>				
Current				
General government	-	-	1,524,956	(1,524,956)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>1,524,956</u>	<u>(1,524,956)</u>
<b>Excess of revenues over expenditures</b>	<u>969,755</u>	<u>969,755</u>	<u>(446,953)</u>	<u>(1,416,708)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	13,555	13,555
Transfers out	(1,037,969)	(1,037,969)	(395,031)	642,938
<b>Total other financing uses</b>	<u>(1,037,969)</u>	<u>(1,037,969)</u>	<u>(381,476)</u>	<u>656,493</u>
<b>Change in fund balance</b>	(68,214)	(68,214)	(828,429)	(760,215)
<b>Fund balance - beginning of year</b>	2,325,486	2,325,486	2,325,486	-
<b>Fund balance - end of year</b>	<u>\$ 2,257,272</u>	<u>\$ 2,257,272</u>	<u>\$ 1,497,057</u>	<u>\$ (760,215)</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 8,000	\$ 8,000	\$ 3,858	\$ (4,142)
Intergovernmental	1,500,000	1,500,000	1,077,107	(422,893)
<b>Total revenues</b>	<u>1,508,000</u>	<u>1,508,000</u>	<u>1,080,965</u>	<u>(427,035)</u>
<b>Expenditures</b>				
Current				
Public safety	666,834	666,834	995,896	(329,062)
Capital outlay	479,996	479,996	467,115	12,881
<b>Total expenditures</b>	<u>1,146,830</u>	<u>1,146,830</u>	<u>1,463,011</u>	<u>(316,181)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>361,170</u>	<u>361,170</u>	<u>(382,046)</u>	<u>(743,216)</u>
<b>Other financing uses</b>				
Transfers out	-	-	(796,697)	(796,697)
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>	<u>(796,697)</u>	<u>(796,697)</u>
<b>Change in fund balance</b>	361,170	361,170	(1,178,743)	(1,539,913)
<b>Fund balance - beginning of year</b>	2,975,488	2,975,488	2,975,488	-
<b>Fund balance - end of year</b>	<u>\$ 3,336,658</u>	<u>\$ 3,336,658</u>	<u>\$ 1,796,745</u>	<u>\$ (1,539,913)</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 20,000	\$ 20,000	\$ 5,312	\$ (14,688)
Intergovernmental	887,438	887,438	890,964	3,526
<b>Total revenues</b>	<u>907,438</u>	<u>907,438</u>	<u>896,276</u>	<u>(11,162)</u>
<b>Expenditures</b>				
Current				
General government	-	-	66,688	(66,688)
Capital outlay	1,476,594	2,443,430	639,986	1,803,444
<b>Total expenditures</b>	<u>1,476,594</u>	<u>2,443,430</u>	<u>706,674</u>	<u>1,736,756</u>
<b>Change in fund balance</b>	(569,156)	(1,535,992)	189,602	1,725,594
<b>Fund balance - beginning of year</b>	<u>1,838,192</u>	<u>1,838,192</u>	<u>1,838,192</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 1,269,036</u>	<u>\$ 302,200</u>	<u>\$ 2,027,794</u>	<u>\$ 1,725,594</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, 2014**

---

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 1,773	\$ 1,773
Intergovernmental	665,577	665,577	663,814	(1,763)
<b>Total revenues</b>	<u>665,577</u>	<u>665,577</u>	<u>665,587</u>	<u>10</u>
<b>Expenditures</b>				
Current				
General government	-	-	50,000	(50,000)
Capital outlay	1,263,135	1,374,728	770,644	604,084
<b>Total expenditures</b>	<u>1,263,135</u>	<u>1,374,728</u>	<u>820,644</u>	<u>554,084</u>
<b>Change in fund balance</b>	(597,558)	(709,151)	(155,057)	554,094
<b>Fund balance - beginning of year</b>	<u>715,110</u>	<u>715,110</u>	<u>715,110</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 117,552</u>	<u>\$ 5,959</u>	<u>\$ 560,053</u>	<u>\$ 554,094</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Metro Station Special Revenue Fund**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
<b>Total revenues</b>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>Expenditures</b>				
Current				
Community development	1,037,969	1,037,969	395,031	642,938
<b>Total expenditures</b>	<u>1,037,969</u>	<u>1,037,969</u>	<u>395,031</u>	<u>642,938</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,036,969)</u>	<u>(1,036,969)</u>	<u>(395,031)</u>	<u>641,938</u>
<b>Other financing sources</b>				
Transfers in	1,037,969	1,037,969	395,031	(642,938)
Transfers out	-	-	(181,218)	(181,218)
<b>Total other financing sources</b>	<u>1,037,969</u>	<u>1,037,969</u>	<u>213,813</u>	<u>(824,156)</u>
<b>Change in fund balance</b>	1,000	1,000	(181,218)	(182,218)
<b>Fund balance - beginning of year</b>	194,773	194,773	194,773	-
<b>Fund balance - end of year</b>	<u>\$ 195,773</u>	<u>\$ 195,773</u>	<u>\$ 13,555</u>	<u>\$ (182,218)</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, 2014**

---

	<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	\$ 1,000	\$ 1,000	\$ 876	\$ (124)
Intergovernmental	65,000	65,000	78,259	13,259
<b>Total revenues</b>	<u>66,000</u>	<u>66,000</u>	<u>79,135</u>	<u>13,135</u>
<b>Expenditures</b>				
Current				
Community development	-	-	37,251	(37,251)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>37,251</u>	<u>(37,251)</u>
<b>Change in fund balance</b>	66,000	66,000	41,884	(24,116)
<b>Fund balance - beginning of year</b>	347,914	347,914	347,914	-
<b>Fund balance - end of year</b>	<u>\$ 413,914</u>	<u>\$ 413,914</u>	<u>\$ 389,798</u>	<u>\$ (24,116)</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, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
Current				
General government	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning of year</b>	35	35	35	-
<b>Fund balance - end of year</b>	\$ 35	\$ 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, 2014**

---

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Public Safety	29,409	29,409	2,131	27,278
<b>Total expenditures</b>	<u>29,409</u>	<u>29,409</u>	<u>2,131</u>	<u>27,278</u>
<b>Change in fund balance</b>	(29,409)	(29,409)	(2,131)	27,278
<b>Fund balance - beginning of year</b>	54,801	54,801	54,801	-
<b>Fund balance - end of year</b>	<u>\$ 25,392</u>	<u>\$ 25,392</u>	<u>\$ 52,670</u>	<u>\$ 27,278</u>

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**Grants Special Revenue Fund**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 444	\$ 444
Intergovernmental	421,624	421,624	928,606	506,982
Other revenues	-	-	20,246	20,246
<b>Total revenues</b>	<u>421,624</u>	<u>421,624</u>	<u>949,296</u>	<u>527,672</u>
<b>Expenditures</b>				
Current				
Community development	1,815,930	1,815,930	755,402	1,060,528
Capital outlay		-	439,829	(439,829)
<b>Total expenditures</b>	<u>1,815,930</u>	<u>1,815,930</u>	<u>1,195,231</u>	<u>620,699</u>
<b>Change in fund balance</b>	(1,394,306)	(1,394,306)	(245,935)	1,148,371
<b>Fund balance - beginning of year</b>	<u>341,323</u>	<u>341,323</u>	<u>341,323</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ (1,052,983)</u>	<u>\$ (1,052,983)</u>	<u>\$ 95,388</u>	<u>\$ 1,148,371</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, 2014**

---

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues</b>				
Intergovernmental	\$ 756,147	\$ 756,147	\$ 786,791	\$ 30,644
<b>Total revenues</b>	756,147	756,147	786,791	30,644
<b>Expenditures</b>				
Current				
Community development	-	-	267,804	(267,804)
Debt service				
Principal	-	-	289,000	(289,000)
Interest	-	-	249,575	(249,575)
<b>Total expenditures</b>	-	-	806,379	(806,379)
<b>Change in fund balance</b>	756,147	756,147	(19,588)	(775,735)
<b>Fund balance - beginning of year</b>	179,197	179,197	179,197	-
<b>Fund balance - end of year</b>	\$ 935,344	\$ 935,344	\$ 159,609	\$ (775,735)

**City of Montebello**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual**  
**HOME Special Revenue Fund**  
**Year ended June 30, 2014**

---

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Intergovernmental	\$ 283,891	\$ 283,891	\$ 99,598	\$ (184,293)
<b>Total revenues</b>	<u>283,891</u>	<u>283,891</u>	<u>99,598</u>	<u>(184,293)</u>
<b>Expenditures</b>				
Current				
Community development	-	-	241,120	(241,120)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>241,120</u>	<u>(241,120)</u>
<b>Change in fund balance</b>	283,891	283,891	(141,522)	(425,413)
<b>Fund balance - beginning of year</b>	109,960	109,960	109,960	-
<b>Fund balance - end of year</b>	<u>\$ 393,851</u>	<u>\$ 393,851</u>	<u>\$ (31,562)</u>	<u>\$ (425,413)</u>

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 51,203	\$ 51,203
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>51,203</u>	<u>51,203</u>
<b>Expenditures</b>				
Current				
Community development	-	-	80,382	(80,382)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>80,382</u>	<u>(80,382)</u>
<b>Change in fund balance</b>	-	-	(29,179)	(29,179)
<b>Fund balance - beginning of year</b>	29,235	29,235	29,235	-
<b>Fund balance - end of year</b>	<u>\$ 29,235</u>	<u>\$ 29,235</u>	<u>\$ 56</u>	<u>\$ (29,179)</u>

**OTHER DEBT SERVICE FUND**

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

**MAJOR DEBT SERVICE FUND**

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

**City of Montebello**  
**Schedule of Revenues, Expenses and Changes in Fund Balances -**  
**Budget and Actual**  
**City Debt Service Fund**  
**Year ended June 30, 2014**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 1,352,781	\$ 1,352,781
Investment income	1,173	1,173	-	(1,173)
Other	-	-	1,014	1,014
<b>Total revenues</b>	<u>1,173</u>	<u>1,173</u>	<u>1,353,795</u>	<u>1,352,622</u>
<b>Expenditures</b>				
General government	-	-	19,085	(19,085)
Debt service				
Principal payments	945,040	945,040	945,040	-
Interest and fees	763,291	763,291	806,655	(43,364)
<b>Total expenditures</b>	<u>1,708,331</u>	<u>1,708,331</u>	<u>1,770,780</u>	<u>(62,449)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,707,158)	(1,707,158)	(416,985)	1,290,173
<b>Other financing sources</b>				
Transfers in	275,000	275,000	1,236,230	961,230
Transfers out	-	-	(1,445,551)	(1,445,551)
<b>Net other financing sources (uses)</b>	<u>275,000</u>	<u>275,000</u>	<u>(209,321)</u>	<u>(484,321)</u>
<b>Change in fund balance</b>	(1,432,158)	(1,432,158)	(626,306)	805,852
<b>Fund balance - beginning of year</b>	<u>2,872,884</u>	<u>2,872,884</u>	<u>2,872,884</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 1,440,726</u>	<u>\$ 1,440,726</u>	<u>\$ 2,246,578</u>	<u>\$ 805,852</u>

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

**City of Montebello**  
**Schedule of Revenues, Expenses and Changes in Fund Balances -**  
**Budget and Actual**  
**Capital Improvements Capital Projects Fund**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$	\$ -	\$ 2,114	\$ 2,114
Other revenues	-	-	1,883,109	1,883,109
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>1,885,223</u>	<u>1,885,223</u>
<b>Expenditures</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>1,885,223</u>	<u>1,885,223</u>
<b>Other financing sources</b>				
Transfers in	-	-	275,000	275,000
Transfers out	-	-	(1,236,230)	(1,236,230)
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>(961,230)</u>	<u>(961,230)</u>
<b>Change in fund balance</b>	<u>-</u>	<u>-</u>	<u>923,993</u>	<u>923,993</u>
<b>Fund balance - beginning of year</b>	<u>166,998</u>	<u>166,998</u>	<u>166,998</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 166,998</u>	<u>\$ 166,998</u>	<u>\$ 1,090,991</u>	<u>\$ 923,993</u>

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

---

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

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

**City of Montebello**  
**Combining Statement of Net Position**  
**Other Enterprise Funds**  
**June 30, 2014**

	Water Utility	Detention Facility	Total Other Enterprise Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 16,763	\$ 9,916	\$ 26,679
Accounts receivable	91,937	900	92,837
<b>Total current assets</b>	108,700	10,816	119,516
<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	(2,200,444)	(17,453)	(2,217,897)
<b>Net capital assets</b>	161,767	1,439	163,206
<b>Total assets</b>	270,467	12,255	282,722
<b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	224,406	36,919	261,325
Deposits payable	31,675	-	31,675
Compensated absences	552	-	552
<b>Total current liabilities</b>	256,633	36,919	293,552
<b>Net position</b>			
Net investment in capital assets	161,767	1,439	163,206
Unrestricted	(147,933)	(26,103)	(174,036)
<b>Total net position</b>	\$ 13,834	\$ (24,664)	\$ (10,830)

**City of Montebello**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Other Enterprise Funds**  
**Year ended June 30, 2014**

---

	Water Utility	Detention Facility	Total Other Enterprise Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Operating revenues</b>			
Charges for services	\$ 1,993,532	\$ 128,200	\$ 2,121,732
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Operating expenses</b>			
Labor and fringe benefits	11,622	-	11,622
Materials and supplies	-	1,750	1,750
Repairs and maintenance	-	900	900
Utilities	105,951	-	105,951
Contract services	2,093,642	437,585	2,531,227
Depreciation expense	58,179	961	59,140
Administration expense	95,000	428	95,428
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total operating expenses</b>	2,364,394	441,624	2,806,018
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Income (loss) before transfers</b>	(370,862)	(313,424)	(684,286)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Other financing sources</b>			
Transfers in	300,000	320,000	620,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Change in net position</b>	(70,862)	6,576	(64,286)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net position - beginning of year</b>	84,696	(31,240)	53,456
<b>Net position - end of year</b>	\$ <u>13,834</u>	\$ <u>(24,664)</u>	\$ <u>(10,830)</u>

**City of Montebello**  
**Combining Statement of Cash Flows**  
**Other Enterprise Funds**  
**Year ended June 30, 2014**

	<u>Water Utility</u>	<u>Detention Facility</u>	<u>Total Other Enterprise Funds</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,919,607	\$ 130,300	\$ 2,049,907
Payments to suppliers	(2,416,899)	(440,386)	(2,857,285)
Payments to employees	(11,622)	-	(11,622)
<b>Net cash used in operating activities</b>	<u>(508,914)</u>	<u>(310,086)</u>	<u>(819,000)</u>
<b>Cash flows from non-capital financing activities</b>			
Cash received from other funds	300,000	320,000	620,000
<b>Net cash provided by non-capital financing activities</b>	<u>300,000</u>	<u>320,000</u>	<u>620,000</u>
<b>Change in cash and cash equivalents</b>	(208,914)	9,914	(199,000)
<b>Cash and cash equivalents - beginning of year</b>	<u>225,677</u>	<u>2</u>	<u>225,679</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 16,763</u>	<u>\$ 9,916</u>	<u>\$ 26,679</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (370,862)	\$ (313,424)	\$ (684,286)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation and amortization	58,179	961	59,140
Changes in operating assets and liabilities			
Accounts receivable	(73,925)	2,100	(71,825)
Accounts payable and accrued liabilities including compensated absences	(122,306)	277	(122,029)
<b>Net cash used in operating activities</b>	<u>\$ (508,914)</u>	<u>\$ (310,086)</u>	<u>\$ (819,000)</u>

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

---

Corporate Shop Fund - To account for the accumulation of resources and costs of operating a maintenance facility and 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.

Equipment Fund – To account for the accumulation of resources for the repair and replacement of the City's machinery and equipment.

**City of Montebello**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2014**

	Corporate Shop	Self-Insurance	Equipment	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ 2,307,415	\$ 11,614,486	\$ 429,866	\$ 14,351,767
Accounts receivable	827	184	-	1,011
Inventories	4,547	-	-	4,547
Prepaid expenses	-	99,236	-	99,236
<b>Total current assets</b>	<u>2,312,789</u>	<u>11,713,906</u>	<u>429,866</u>	<u>14,456,561</u>
<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	(1,060,720)	-	-	(1,060,720)
<b>Net capital assets</b>	<u>120,094</u>	<u>-</u>	<u>-</u>	<u>120,094</u>
<b>Total assets</b>	<u>2,432,883</u>	<u>11,713,906</u>	<u>429,866</u>	<u>14,576,655</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	11,938	21,737	9,977	43,652
Claims payable	-	13,116,443	-	13,116,443
Compensated absences	-	3,777	-	3,777
<b>Total current liabilities</b>	<u>11,938</u>	<u>13,141,957</u>	<u>9,977</u>	<u>13,163,872</u>
<b>Net position</b>				
Net investment in capital assets	120,094	-	-	120,094
Unrestricted	2,300,851	(1,428,051)	419,889	1,292,689
<b>Total net position</b>	<u>\$ 2,420,945</u>	<u>\$ (1,428,051)</u>	<u>\$ 419,889</u>	<u>\$ 1,412,783</u>

**City of Montebello**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**All Internal Service Funds**  
**Year ended June 30, 2014**

	Corporate Shop	Self-Insurance	Equipment	Total
<b>Operating revenues</b>				
Charges for services	\$ 1,444,896	\$ 6,932,838	\$ -	\$ 8,377,734
Other	-	7,500	-	7,500
<b>Total operating revenues</b>	<u>1,444,896</u>	<u>6,940,338</u>	<u>-</u>	<u>8,385,234</u>
<b>Operating expenses</b>				
Labor and fringe benefits	30,181	4,477	-	34,658
Materials and supplies	427,615	137	-	427,752
Repairs and maintenance	113,710	-	52,678	166,388
Insurance claims and premiums	-	5,471,940	-	5,471,940
Contractual services	24,046	397,468	-	421,514
Depreciation expense	1,173	-	-	1,173
Administrative expense	178,758	66,188	-	244,946
<b>Total operating expenses</b>	<u>775,483</u>	<u>5,940,210</u>	<u>52,678</u>	<u>6,768,371</u>
<b>Operating income (loss) before transfers</b>	<u>669,413</u>	<u>1,000,128</u>	<u>(52,678)</u>	<u>1,616,863</u>
<b>Other financing sources (uses)</b>				
Transfers in	781,000	1,570,000	197,697	2,548,697
Transfers out	(720,000)	(84,970)	-	(804,970)
<b>Net other financing sources (uses)</b>	<u>61,000</u>	<u>1,485,030</u>	<u>197,697</u>	<u>1,743,727</u>
<b>Change in net position</b>	730,413	2,485,158	145,019	3,360,590
<b>Net position - beginning of year</b>	1,690,532	(3,913,209)	274,870	(1,947,807)
<b>Net position - end of year</b>	<u>\$ 2,420,945</u>	<u>\$ (1,428,051)</u>	<u>\$ 419,889</u>	<u>\$ 1,412,783</u>

**City of Montebello**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**Year ended June 30, 2014**

	Corporate Shop	Self-Insurance	Equipment	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 1,444,069	\$ 6,940,283	\$ -	\$ 8,384,352
Payments to suppliers	(833,586)	(5,939,881)	(42,701)	(6,816,168)
Payments to employees	(30,181)	(4,477)	-	(34,658)
<b>Net cash provided by (used in) operating activities</b>	580,302	995,925	(42,701)	1,533,526
<b>Cash flows from non-capital financing activities</b>				
Net cash received from (remitted to) other funds	61,000	1,485,030	197,697	1,743,727
<b>Net cash provided by (used in) non-capital financing activities</b>	61,000	1,485,030	197,697	1,743,727
<b>Change in cash and cash equivalents</b>	641,302	2,480,955	154,996	3,277,253
<b>Cash and cash equivalents - beginning</b>	1,666,113	9,133,531	274,870	11,074,514
<b>Cash and cash equivalents - ending</b>	\$ 2,307,415	\$ 11,614,486	\$ 429,866	\$ 14,351,767
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 669,413	\$ 1,000,128	\$ (52,678)	\$ 1,616,863
Adjustments to reconcile operating income (loss) to net cash used by operating activities				
Depreciation and amortization	1,173	-	-	1,173
Changes in operating assets and liabilities:				
Accounts receivable	(827)	(55)	-	(882)
Prepaid expenses	-	(99,236)	-	(99,236)
Accounts payable and accrued liabilities including compensated absences	(89,457)	(57,910)	9,977	(137,390)
Claims payable	-	152,998	-	152,998
<b>Net cash provided by (used in) operating activities</b>	\$ 580,302	\$ 995,925	\$ (42,701)	\$ 1,533,526

**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.	125-129
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	130-133
<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.	134-138
<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.	139-140
<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.	141-143

**City of Montebello  
Net Position by Component  
Last Ten Fiscal Years**

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Government Activities</b>										
Net investment in capital assets	\$16,757,420	\$16,757,420	\$16,757,420	\$16,757,420	\$ 28,992,463	\$ 51,377,564	\$50,154,445	\$ 53,911,210	\$ 54,636,719	\$ 55,212,827
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	20,219,054	29,141,471
Unrestricted	<u>(61,733,648)</u>	<u>(57,664,431)</u>	<u>(52,527,623)</u>	<u>(51,800,615)</u>	<u>(68,290,188)</u>	<u>(46,153,068)</u>	<u>(42,582,327)</u>	<u>(15,674,582)</u>	<u>(4,370,518)</u>	<u>(13,656,834)</u>
Total governmental activities net position	<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>	<u>70,485,255</u>	<u>70,697,464</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	29,488,367	30,705,710	28,924,295	29,084,971	37,693,683	50,781,549	50,305,058	55,556,802	55,753,529	53,562,215
Restricted	-	-	-	-	-	-	-	302,086	302,120	1,017,411
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>	<u>(8,619,600)</u>	<u>(8,758,663)</u>
Total business-type activities net position	<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>	<u>47,436,049</u>	<u>45,820,963</u>
<b>Primary Government</b>										
Net investment in capital assets	46,245,787	47,463,130	45,681,715	45,842,391	66,686,146	102,159,113	100,459,503	109,468,012	110,390,248	108,775,042
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	20,521,174	30,158,882
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>	<u>(12,990,118)</u>	<u>(22,415,497)</u>
	<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>	<u>\$117,921,304</u>	<u>\$116,518,427</u>

Source: City Finance Department

**City of Montebello**  
**Change in Net Position – Expenses and Program Revenues**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Expenses:</b>										
Governmental Activities:										
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	\$ 3,397,386	\$ 3,868,688
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	31,736,790	33,376,844
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	6,222,809	7,063,899
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	5,183,532	4,943,297
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	2,042,906	4,045,684
Unallocated infrastructure depreciation	746,251	506,840	582,928	612,202	659,156	698,249	704,807	704,807	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	1,954,908	1,254,337
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>	<u>51,243,138</u>	<u>55,257,556</u>
Business-Type Activities:										
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	28,190,745	30,850,208
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	3,015,645	2,965,428
Montebello Hilton	-	3,209,676	3,411,125	3,774,282	3,521,600	3,509,164	3,483,481	3,443,794	3,568,013	4,302,388
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	2,515,604	2,806,018
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>	<u>37,280,007</u>	<u>40,924,042</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>	<u>\$ 88,523,145</u>	<u>\$ 96,181,598</u>
<b>Program revenues:</b>										
Governmental Activities:										
Charges for services:										
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	\$ 3,071,973	\$ 4,074,735
Public safety	1,025,580	1,156,226	1,437,604	2,222,811	2,383,579	2,741,147	2,570,877	1,863,993	2,103,502	2,767,256
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	5,377,463	5,427,918
Parks, recreation, and culture	497,942	468,623	476,112	721,531	735,910	501,801	602,711	631,832	665,468	533,575
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	8,519,753	8,292,687
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>17,250,989</u>	<u>19,738,159</u>	<u>21,096,171</u>
Business-Type Activities:										
Charges for services:										
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	6,078,505	5,985,798
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	2,389,101	2,385,213
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	4,316,746	5,522,384
Other programs	-	1,487,036	1,702,443	1,722,561	1,457,989	1,585,638	1,515,315	1,444,863	1,325,834	2,121,732
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	18,834,317	19,726,264
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	7,777,911	2,764,857
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>	<u>40,722,414</u>	<u>38,506,248</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>\$ 53,311,803</u>	<u>\$ 60,460,573</u>	<u>\$ 59,602,419</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)	\$ (38,887,059)	\$ (31,504,979)	\$ (34,161,385)
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>	<u>3,442,407</u>	<u>(2,417,794)</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>\$ (38,873,589)</u>	<u>\$ (28,062,572)</u>	<u>\$ (36,579,179)</u>

Source: City Finance Department

**City of Montebello**  
**Change in Net Position – General Revenues**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>General Revenues and Other Changes in Net Position:</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	\$ 15,449,858	\$ 14,683,907
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	1,158,219	1,303,603
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	11,363,067	11,725,818
Transient Occupancy tax	261,501	299,819	263,457	288,514	234,980	243,276	255,705	297,679	364,425	473,645
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	5,205,958	5,394,777
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	2,239,898	2,036,142
Investment earnings	2,011,649	2,591,235	3,052,086	4,446,085	2,671,569	341,815	260,297	72,750	54,393	49,705
Transfers	(125,427)	272,701	(1,070,821)	201,611	771,708	1,377,666	5,143,402	(164,266)	602,070	(792,325)
Total governmental activities	<u>41,495,407</u>	<u>45,890,698</u>	<u>48,291,824</u>	<u>51,382,876</u>	<u>50,809,893</u>	<u>45,383,504</u>	<u>51,105,612</u>	<u>40,092,777</u>	<u>36,437,888</u>	<u>34,875,272</u>
Business-Type Activities:										
Other revenues	921,990	-	-	-	-	-	-	-	-	-
Investment earnings	25,477	56,132	114,890	75,421	73,597	-	10,990	-	-	10,383
Transfers	125,427	(272,701)	1,070,821	(201,611)	(771,708)	(1,377,666)	(4,020,809)	164,266	(602,070)	792,325
Total business-type activities	<u>1,072,894</u>	<u>(216,569)</u>	<u>1,185,711</u>	<u>(126,190)</u>	<u>(698,111)</u>	<u>(1,377,666)</u>	<u>(4,009,819)</u>	<u>164,266</u>	<u>(602,070)</u>	<u>802,708</u>
Total primary government	<u>\$ 42,568,301</u>	<u>\$ 45,674,129</u>	<u>\$ 49,477,535</u>	<u>\$ 51,256,686</u>	<u>\$ 50,111,782</u>	<u>\$ 44,005,838</u>	<u>\$ 47,095,793</u>	<u>\$ 40,257,043</u>	<u>\$ 35,835,818</u>	<u>\$ 35,677,980</u>
<b>Change in Net Position:</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	\$ 4,932,909	\$ 212,209
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	2,840,337	(1,615,086)
Total primary government	<u>\$ (2,928,606)</u>	<u>\$ 5,996,313</u>	<u>\$ 9,203,645</u>	<u>\$ 7,523,796</u>	<u>\$ (5,690,722)</u>	<u>\$ 8,958,445</u>	<u>\$ 12,048,400</u>	<u>\$ 1,383,394</u>	<u>\$ 7,773,246</u>	<u>\$ (1,402,877)</u>

Source: City Finance Department

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

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
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	\$ 187,730	\$ 142,394
Restricted							-	-	-	-
Committed							-	-	-	-
Assigned							497,558	-	-	-
Unassigned							4,394,672	7,047,301	7,879,020	8,387,981
Total general fund							<u>\$ 4,975,576</u>	<u>\$ 7,155,057</u>	<u>\$ 8,066,750</u>	<u>\$ 8,530,375</u>
All Other Governmental Funds:										
Nonspendable							\$ 15,170,693	\$ 2,313,452	\$ 2,288,508	\$ 2,057,207
Restricted										
Debt service							19,520,813	5,918,851	6,116,124	7,960,932
Special revenue funds							7,219,900	20,478,029	22,034,631	18,000,779
Capital projects funds							24,991,784	1,464,215	1,445,551	1,090,991
Committed							-	-	-	-
Assigned							-	-	-	-
Unassigned							(14,421,751)	(159,133)	(80,230)	-
Total all other governmental funds							<u>\$ 52,481,439</u>	<u>\$ 30,015,414</u>	<u>\$ 31,804,584</u>	<u>\$ 29,109,909</u>

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
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
2012-13	20,655,816	11,363,067	271,153	1,158,219	93,272	33,541,527
2013-14	20,078,684	11,725,818	355,404	1,303,603	118,241	33,581,750

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
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
2012-13	3,062,084	87,131	41,403	3,107,812	1,548,735	135,735	5,894	1,678,575
2013-14	3,161,641	87,462	40,982	3,208,122	1,630,661	133,268	5,901	1,758,028

Source: Los Angeles County Assessor

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

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<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	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Montebello USD	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001	0.09630	0.09457
L.A. County Flood Control	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Community College	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756	0.04454
Totals	<u>1.26467</u>	<u>1.28876</u>	<u>1.29206</u>	<u>1.27798</u>	<u>1.30493</u>	<u>1.32202</u>	<u>1.33981</u>	<u>1.33689</u>	<u>1.33524</u>	<u>1.34049</u>

Source: Los Angeles County Assessor

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

Taxpayer	2013-14			2004-05		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Montebell Town Center Investor, LLC	\$ 196,800,324	1	3.91%	\$ 87,825,000	1	2.53%
Plain Exploration and Production Company	127,911,040	2	2.54%	44,018,042	3	1.27%
Brixmor Montebello Plaza LP	69,796,991	3	1.39%	-		0.00%
Bimbo Bakeries, USA Inc	63,234,649	4	1.26%	64,933,682	2	1.87%
Somerset Apartments LLC	42,739,829	5	0.85%	-		0.00%
Comref So CA Industrial SUB LLC	41,066,220	6	0.82%	-		0.00%
KIR Montebello LP	37,616,256	7	0.75%	27,460,078	7	0.79%
Rreef America Reit II Corporation	36,250,241	8	0.72%	-		0.00%
Macys California Inc	33,580,239	9	0.67%	-		0.00%
K K 3A	33,208,642	10	0.66%	-		0.00%
	<u>\$ 682,204,431</u>		<u>13.57%</u>	<u>\$ 224,236,802</u>		<u>6.46%</u>

Source: Los Angeles County Assessor 2013/14 Combined Tax Rools and the SBE Non Unitary Tax Roll

**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
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	9,296,787	92.09%
2011-12	7,869,020	10,379,033	131.90%	-	10,379,033	131.90%
2012-13	6,975,325	11,293,837	161.91%	-	11,293,837	161.91%
2013-14	7,279,631	7,275,179	99.94%	5,091	7,280,269	100.01%

Note (1) Negative number not included

Source: Los Angeles County Auditor - AF91 Report and City Remittance Advise Summary

**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		
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
2012-13	17,447,900	-	14,800,000	-	32,247,900	513
2013-14	16,502,860	-	14,370,000	-	30,872,860	486

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

Source: City Financial Statements

**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		
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	-	15,210	33,561	0.74%	510
2012-13	17,448	-	14,800	32,248	0.65%	513
2013-14	16,503	-	14,370	30,873	0.62%	486

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

Source: City Finance Department  
(1) Los Angeles County Assessor and Auditor

**City of Montebello**  
**Direct and Overlapping Debt**  
**June 30, 2014**

2013-14 Assessed Valuation: \$5,013,032,815

	Total Outstanding Debt 6/30/14	Percentage Applicable (1)	City's Share of Overlapping Debt 6/30/14
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Los Angeles County Flood Control District	\$ 17,480,000	0.447%	\$ 78,136
Metropolitan Water District	132,275,000	0.230%	304,233
Los Angeles Community College District	3,642,560,000	0.802%	29,213,331
El Rancho Unified School District	56,361,015	0.004%	2,254
Los Angeles Unified School District	10,523,205,000	0.001%	105,232
Montebello Unified School District	130,086,310	36.746%	47,801,515
Los Angeles County Regional Park and Open Space Assessment District	113,615,000	0.440%	499,906
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 78,004,607</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</b>			
Los Angeles County General Fund Obligation	\$1,835,420,030	0.440%	\$ 8,075,848
Los Angeles County Superintendent of Schools Certificates of Participation	9,529,882	0.440%	41,931
Los Angeles County Sanitation District No. 2 Authority	21,741,384	9.365%	2,036,081
Los Angeles County Sanitation District No. 15 Authority	22,254,960	0.810%	180,265
Los Angeles Unified School District Certificates of Participation	365,858,657	0.001%	3,659
Montebello Unified School District Certificates of Participation	11,840,000	36.746%	4,350,726
<b>City of Montebello General Fund Obligation</b>	<b>35,070,000</b>	<b>100.000%</b>	<b>35,070,000</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b>49,758,510</b>
Less: Los Angeles Country General Fund Obligations supported by landfill revenues			22,155
Los Angeles Unified School District Qualified Zone Academic Bonds supported by building fund 51			51
<b>City of Montebello Obligations supported from surplus tax increment and golf and hotel revenues</b>			<b>18,567,140</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			<b>\$ 31,169,164</b>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 50,496,530	100%	<b>\$ 50,496,530</b>
<b>TOTAL GROSS DIRECT DEBT</b>			<b>\$ 35,070,000</b>
<b>TOTAL NET DIRECT DEBT</b>			<b>16,502,860</b>
TOTAL GROSS OVERLAPPING DEBT			143,189,647
TOTAL NET OVERLAPPING DEBT			143,167,441
GROSS COMBINED TOTAL DEBT			178,259,647
NET COMBINED TOTAL DEBT			159,670,301

- 1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- 2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage and non-bonded capital lease obligation.
- 3) Excludes accreted value

<u>Ratios to 2013-14 Assessed Valuation:</u>	
Overlapping Tax and Assessed Debt	1.56%
<b>Gross Direct Debt (35,070,000)</b>	<b>0.70%</b>
<b>Net Direct Debt (16,502,860)</b>	<b>0.33%</b>
Gross Combined Total Debt	3.56%
Net Combined Total Debt	3.19%

<u>Ratios to Redevelopment Incremental Valuation (\$1,625,154,438) :</u>	
Total Overlapping Tax Increment Debt	3.11%

Source: California Municipal Statistics

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

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
Assessed valuation	\$13,815,823,508	\$14,836,885,928	\$16,194,120,900	\$17,629,172,176	\$18,861,572,384
Conversion Percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation	3,453,955,877	3,709,221,482	4,048,530,225	4,407,293,044	4,715,393,096
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	518,093,382	556,383,222	607,279,534	661,093,957	707,308,964
Legal debt margin	<u>\$ 518,093,382</u>	<u>\$ 556,383,222</u>	<u>\$ 607,279,534</u>	<u>\$ 661,093,957</u>	<u>\$ 707,308,964</u>

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
Assessed valuation	\$18,808,841,532	\$19,358,675,984	\$19,019,112,168	\$19,404,069,772	\$19,864,600,740
Conversion Percentage	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted assessed valuation (1)	4,702,210,383	4,839,668,996	4,754,778,042	4,851,017,443	4,966,150,185
Debt limit percentage	15.00%	15.00%	15.00%	15.00%	15.00%
Total net debt applicable to limit	705,331,557	725,950,349	713,216,706	727,652,616	744,922,528
Legal debt margin	<u>\$ 705,331,557</u>	<u>\$ 725,950,349</u>	<u>\$ 713,216,706</u>	<u>\$ 727,652,616</u>	<u>\$ 744,922,528</u>

*The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed. However, this provision was enacted when assessed valuation was based upon 25% of market 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  
(1) Los Angeles Auditor-Controller

**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	
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%
2012-13	2,389,101	(2,826,082)	(436,981)	201,420	200,594	402,014	-108.70%
2013-14	2,385,213	(2,748,196)	(362,983)	209,960	175,667	385,627	-94.13%

Source: City Finance Department

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

---

Calendar Year	Population	Personal Income (in millions)	Capita Personal Income	Unemployment Rate
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%
2012-13	63,184	1,328	21,013	12.20%
2013-14	63,527	1,288	20,269	11.00%

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

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

Employer	2013-14		2003-2004	
	Employees	Percent of Total Employment *	Employees	Percent of Total Employment *
Katzkin Leather, Inc.	418	1.6077%	359	N/A
J.C. Penney Corporation, Inc. 2172-5	343	1.3192%	277	N/A
Wilbur Curtis Co., Inc.	282	1.0846%	N/A	N/A
Costco Wholesale #459	237	0.9115%	245	N/A
Monarch Litho Inc.	237	0.9115%	N/A	N/A
Forever 21	155	0.5962%	19	N/A
B J'S Restaurant & Brewhouse	145	0.5577%	N/A	N/A
All Access Apparel Corp.	131	0.5038%	950	N/A
Lifeline Ambulance	130	0.5000%	10	N/A
Minson Corporation	117	0.4500%	374	N/A
<b>Total Top Ten</b>	<b>2,195</b>	<b>8.4423%</b>	<b>2,234</b>	<b>N/A</b>
<b>Total Employment *</b>	<b>26,000</b>			

Source: 2013 Annual Average Labor Force Data (State Website)

**City of Montebello**  
**Full-Time and Part-Time City Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
General Government	41	38	28	33	53
Public Safety	199	202	180	201	197
Public Works	37	31	14	15	15
Parks and Recreation	61	60	119	138	115
Economic Development	17	14	17	7	6
Transit	247	250	236	254	215
<b>Totals</b>	<b>602</b>	<b>595</b>	<b>594</b>	<b>648</b>	<b>601</b>

Function	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
General Government	42	43	47	37	33
Public Safety	182	182	167	203	177
Public Works	12	12	14	17	38
Parks and Recreation	123	123	115	133	99
Economic Development	7	7	-	18	15
Transit	217	217	212	200	253
<b>Totals</b>	<b>583</b>	<b>584</b>	<b>555</b>	<b>608</b>	<b>615</b>

Source: City Finance Department

**City of Montebello**  
**Operating Indicators by Function**  
**Last Ten Calendar Years**

Function	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:		As of Sept.	As of June	As of June		As of June				
Arrests	2,985	1,974	1,205	2,630	2,598	2,702	2,621	2,093	2,093	1,896
Traffic violations	18,675	13,569	11,095	5,139	4,900	6,862	2,467	2,968	2,773	2,682
Parking violations	13,965	10,402	8,281	16,319	20,018	19,413	22,661	20,448	20,448	18,950
Fire:		As of Dec. 1	As of sept. 27	As of Dec. 19						
Number of calls answered	4,981	4,570	3,682	4,610	4,165	5,037	4,891	4,977	4,800	5,100
Inspections conducted	1,834	1,155	875	1,560	1,616	1,320	1,160	728	625	988
Public Works:										
Street resurfacing (miles)	3.36	3.43	1.60	1.10	4	14.16	15.15	1.60	0.51	2.28
Sidewalk repairs (sq ft)	N/A	N/A	N/A	N/A	N/A	31,930	32,281	25,997	11,100	35,435
Potholes repaired	N/A	N/A	N/A	N/A	N/A	N/A	5,352	3,010	3,325	3,876
Storm drains cleaned	N/A	N/A	N/A	N/A	N/A	N/A	1,702	0	0	N/A
Parks and Recreation:										
Number of recreation classes	196	214	139	290	167	68	190	210	137	153
Number of facility rentals	196	As of Dec. 1 202	As of Oct. 278	As of June 46	44	2,660	854	689	708	2,156

Source: City Finance Department

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

Function	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
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	80	80	80	81	81	81	81	81
Parks and Recreation:										
Parks	7	7	7	7	7	7	7	7	7	7
Community Centers	-	-	-	-	-	-	-	-	-	4

Source: HDL Coren Cone  
Los Angeles County Assessor Auditor Combined