

# CITY OF SIERRA MADRE

SIERRA MADRE, CALIFORNIA



## **Basic Financial Statements** and Required Supplementary Information

with

Independent Auditors' Report

June 30, 2007

*Prepared by the City of Sierra Madre, California  
Administrative Services Department*

# CITY OF SIERRA MADRE, CALIFORNIA

June 30, 2007

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R. EDWARD BERANEK  
ACCOUNTANCY CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To the Honorable Mayor and Members of City Council  
of the City of Sierra Madre  
Sierra Madre, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sierra Madre (City), California as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

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The City has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The information identified in the accompanying table of contents as *Required Supplementary Information* is not a required part of the basic financial statements but is supplementary information, required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

February 26, 2009  
Arcadia, California

*R. Edward Beranek*  
*Accountancy Corporation*  
Certified Public Accountants

# CITY OF SIERRA MADRE, CALIFORNIA

## Statement of Net Assets

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 8,897,189	\$ 1,339,674	\$ 10,236,863
Cash and investments with fiscal agents	406,209	5,654,497	6,060,706
Receivables:			
Taxes	352,761	-	352,761
Accounts	212,562	1,051,581	1,264,143
Interest	105,150	-	105,150
Grants	850,878	597,979	1,448,857
Prepaid expenses	235,456	909	236,365
Total current assets	11,060,205	8,644,640	19,704,845
Noncurrent assets:			
Deferred charges	-	417,704	417,704
Land held for resale	1,682,998	-	1,682,998
Capital assets:			
Non-depreciable	163,346,345	1,483,250	164,829,595
Depreciable, net	26,419,856	24,684,855	51,104,711
Total capital assets	189,766,201	26,168,105	215,934,306
Total assets	\$ 202,509,404	\$ 35,230,449	\$ 237,739,853
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 502,097	\$ 427,803	\$ 929,900
Accrued payroll and related liabilities	88,320	21,528	109,848
Interest payable	60,506	186,872	247,378
Deposits and retentions	27,541	230,552	258,093
Deferred revenue	66,988	-	66,988
Compensated absences	647,239	164,827	812,066
Claims payable	197,000	-	197,000
Bonds payable	215,000	290,000	505,000
Total current liabilities	1,804,691	1,321,582	3,126,273
Noncurrent liabilities:			
Leases payable	69,123	-	69,123
Bonds payable	3,545,000	11,060,000	14,605,000
Total noncurrent liabilities	3,614,123	11,060,000	14,674,123
Total liabilities	5,418,814	12,381,582	17,800,396
<b>Net assets:</b>			
Invested in capital assets, net of related debt	189,766,201	14,818,105	204,584,306
Restricted for:			
Debt service	3,451,710	-	3,451,710
Land held for resale	1,682,998	-	1,682,998
Total restricted	5,134,708	-	5,134,708
Unrestricted	2,189,681	8,030,762	10,220,443
Total net assets	\$ 197,090,590	\$ 22,848,867	\$ 219,939,457

See Accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Activities and Changes in Net Assets**

**For the Fiscal Year Ended June 30, 2007**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Current Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-Type Activities	Total
Functions/programs								
Governmental activities:								
General government	\$ 6,618,475	\$ 3,332,415	\$ 53,053	\$ -	\$ 3,385,468	\$ (3,233,007)	\$ -	\$ (3,233,007)
Public safety	3,838,128	244,251	416,784	-	661,035	(3,177,093)	-	(3,177,093)
Public works	833,215	3,640	16,666	-	20,306	(812,909)	-	(812,909)
Development	-	598,481	-	-	598,481	598,481	-	598,481
Culture and recreation	1,776,581	61,515	138,429	-	199,944	(1,576,637)	-	(1,576,637)
Interest expense	251,635	-	-	-	-	(251,635)	-	(251,635)
Total governmental activities	<u>13,318,034</u>	<u>4,240,302</u>	<u>624,932</u>	<u>-</u>	<u>4,865,234</u>	<u>(8,452,800)</u>	<u>-</u>	<u>(8,452,800)</u>
Business-type activities:								
Water	3,309,580	4,727,750	-	-	4,727,750	-	1,418,170	1,418,170
Sewer	767,100	721,308	-	-	721,308	-	(45,792)	(45,792)
Recreation services	391,107	285,466	-	-	285,466	-	(105,641)	(105,641)
Strike team	52,954	190,698	-	-	190,698	-	137,744	137,744
Filming	61,481	27,513	-	-	27,513	-	(33,968)	(33,968)
Total business-type activities	<u>4,582,222</u>	<u>5,952,735</u>	<u>-</u>	<u>-</u>	<u>5,952,735</u>	<u>-</u>	<u>1,370,513</u>	<u>1,370,513</u>
Total primary government	<u>\$ 17,900,256</u>	<u>\$ 10,193,037</u>	<u>\$ 624,932</u>	<u>\$ -</u>	<u>\$ 10,817,969</u>	<u>(8,452,800)</u>	<u>1,370,513</u>	<u>(7,082,287)</u>
General revenues and transfers:								
Taxes						6,944,803	-	6,944,803
Investment income						1,118,952	194,901	1,313,853
Grants and contributions not restricted to specific programs						1,185,396	-	1,185,396
Capital contributions						568,579	-	568,579
Transfers						176,108	(176,108)	-
Total general revenues and transfers						<u>9,993,838</u>	<u>18,793</u>	<u>10,012,631</u>
Change in net assets						1,541,038	1,389,306	2,930,344
Net assets - beginning of year, as restated						<u>195,549,552</u>	<u>21,459,561</u>	<u>217,009,113</u>
Net assets - end of year						<u>\$ 197,090,590</u>	<u>\$ 22,848,867</u>	<u>\$ 219,939,457</u>

See Accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Balance Sheet**

**Governmental Funds**

**June 30, 2007**

	<b>Major Funds</b>						<b>Total Governmental Funds</b>
	<b>General</b>	<b>CRA Debt Service</b>	<b>CRA Non- Housing</b>	<b>CRA Low &amp; Moderate Housing</b>	<b>Grant Funds</b>	<b>Other Governmental Funds</b>	
<b>ASSETS</b>							
Cash and investments	\$ 1,791,584	\$2,557,255	\$ -	\$ 49,842	\$ 23,043	\$ 1,341,010	\$ 5,762,734
Cash and investments with fiscal agents	-	406,209	-	-	-	-	406,209
Receivables, net:							
Taxes	320,066	13,252	-	-	-	19,443	352,761
Accounts	148,722	-	-	-	-	63,840	212,562
Interest	58,260	-	27,665	19,225	-	-	105,150
Grants	17,432	-	-	-	831,080	2,366	850,878
Due from other funds	1,230,325	475,285	-	-	-	-	1,705,610
Prepaid expenses	23,475	-	-	-	-	-	23,475
Land held for resale	-	-	-	1,682,998	-	-	1,682,998
<b>Total assets</b>	<b>\$ 3,589,864</b>	<b>\$3,452,001</b>	<b>\$ 27,665</b>	<b>\$ 1,752,065</b>	<b>\$ 854,123</b>	<b>\$ 1,426,659</b>	<b>\$ 11,102,377</b>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Accounts payable	\$ 114,745	\$ 291	\$ 44,228	\$ 16,604	\$ 216,309	\$ (89,103)	\$ 303,074
Accrued payroll and related liabilities	61,134	-	2,664	2,135	-	13,077	79,010
Due to other funds	-	-	475,285	-	1,083,886	146,438	1,705,609
Deposits and retentions	5,700	-	-	-	21,841	-	27,541
Deferred revenue	-	-	-	-	-	66,988	66,988
<b>Total liabilities</b>	<b>181,579</b>	<b>291</b>	<b>522,177</b>	<b>18,739</b>	<b>1,322,036</b>	<b>137,400</b>	<b>2,182,222</b>
Fund balances:							
Reserved for:							
Debt service	-	3,451,710	-	-	-	-	3,451,710
Land held for resale	-	-	-	1,682,998	-	-	1,682,998
Unreserved	3,408,285	-	(494,512)	50,328	(467,913)	1,289,259	3,785,447
<b>Total fund balances</b>	<b>3,408,285</b>	<b>3,451,710</b>	<b>(494,512)</b>	<b>1,733,326</b>	<b>(467,913)</b>	<b>1,289,259</b>	<b>8,920,155</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,589,864</b>	<b>\$3,452,001</b>	<b>\$ 27,665</b>	<b>\$ 1,752,065</b>	<b>\$ 854,123</b>	<b>\$ 1,426,659</b>	<b>\$ 11,102,377</b>

See Accompanying Notes to Basic Financial Statements.

# CITY OF SIERRA MADRE, CALIFORNIA

## Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets

June 30, 2007

<u>Total Fund Balances Governmental Funds</u>	\$ 8,920,155
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Internal service funds are used by management to charge the cost of vehicles, facilities management and water. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	192,622,907
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	(60,506)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet:	
Leases payable	(69,123)
Bonds payable	(3,760,000)
Accrual of other items:	
The liability for compensated absences is not accrued in the Governmental Funds, but is recorded in the Statement of Net Assets.	<u>(562,843)</u>
<u>Statement of Net Assets</u>	<u>\$ 197,090,590</u>

See accompanying Notes to Basic Financial Statements.



# CITY OF SIERRA MADRE, CALIFORNIA

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### All Governmental Fund Types

Year Ended June 30, 2007

	Major Funds						Total Governmental Funds
	General	CRA Debt Service	Capital Projects Funds		Grant Funds	Other Governmental Funds	
		CRA Non- Housing	CRA Low & Moderate Housing				
Revenues:							
Taxes	\$ 5,218,700	\$ 1,181,808	\$ -	\$ -	\$ -	\$ 544,295	\$ 6,944,803
Charges for services	174,410	-	-	-	-	450,268	624,678
Intergovernmental	867,994	-	-	-	545,630	396,704	1,810,328
Licenses and permits	91,851	-	-	-	-	467,033	558,884
Fines and forfeitures	127,206	-	-	-	-	-	127,206
Investment income	251,165	-	394,075	54,893	-	-	700,133
Miscellaneous	306,616	-	-	-	-	106,363	412,979
Total revenues	7,037,942	1,181,808	394,075	54,893	545,630	1,964,663	11,179,011
Expenditures:							
Current:							
General government	1,467,090	56,381	915,735	138,666	20,774	143,530	2,742,176
Public safety	3,017,269	-	-	-	220,428	600,431	3,838,128
Public works	154,523	-	-	-	4,929	673,763	833,215
Culture and recreation	933,910	-	-	-	5,965	836,706	1,776,581
Debt service:							
Principal	-	205,000	-	-	-	-	205,000
Interest	-	191,129	-	-	-	-	191,129
Capital outlay	3,678	-	7,440	-	591,457	16,900	619,475
Total expenditures	5,576,470	452,510	923,175	138,666	843,553	2,271,330	10,205,704
Excess (deficiency) of revenues over (under) expenditures	1,461,472	729,298	(529,100)	(83,773)	(297,923)	(306,667)	973,307
Other financing sources (uses):							
Sale of city property	-	-	-	-	-	400,000	400,000
Transfers in	258,949	-	-	240,782	15,530	879,008	1,394,269
Transfer out	(683,626)	-	(240,782)	-	(64,293)	(211,571)	(1,200,272)
Total other financing sources (uses)	(424,677)	-	(240,782)	240,782	(48,763)	1,067,437	593,997
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,036,795	729,298	(769,882)	157,009	(346,686)	760,770	1,567,304
Fund balances:							
Beginning of year, as restated	2,371,490	2,722,412	275,370	1,576,317	(121,227)	528,489	7,352,851
End of year	\$ 3,408,285	\$ 3,451,710	\$ (494,512)	\$ 1,733,326	\$(467,913)	\$ 1,289,259	\$ 8,920,155

See Accompanying Notes to Basic Financial Statements

# CITY OF SIERRA MADRE, CALIFORNIA

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

June 30, 2007

<u>Net Change in Fund Balances - Total Governmental Funds</u>	\$ 1,567,304
<i>Amounts reported for governmental activities in the Statement of Revenues Expenditures and Changes in Fund Balances to Changes in Net Assets are different because:</i>	
Internal service funds are used by management to charge the cost of vehicles, facilities management and water. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(188,047)
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as an expenditure in the gov- ernmental funds. The reconciling amount is the change in accrued interest from the prior year.	(60,506)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	205,000
Capital leases provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	34,562
Governmental funds do not report the long term portion of compensated absences, while the Statement of Activities records such liabilities. Thus the amount recorded is the change in the liability for the year.	<u>(17,275)</u>
<u>Change in Net Assets of Governmental Activities</u>	<u>\$ 1,541,038</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Net Assets**

**Proprietary Funds**

**June 30, 2007**

	<u>Enterprise Funds</u>				<b>Governmental Activities - Internal Service Funds</b>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ -	\$ 1,259,858	\$ 79,816	\$ 1,339,674	\$ 3,134,455
Cash and investments with fiscal agents	5,654,497	-	-	5,654,497	-
Receivables:					
Accounts	1,008,109	40,063	3,409	1,051,581	-
Grants	597,979	-	-	597,979	-
Prepaid expenses	388	521	-	909	211,981
Total current assets	<u>7,260,973</u>	<u>1,300,442</u>	<u>83,225</u>	<u>8,644,640</u>	<u>3,346,436</u>
Noncurrent assets:					
Deferred charges	417,704	-	-	417,704	-
Capital assets					
Non-depreciable	1,483,250	-	-	1,483,250	163,346,345
Depreciable, net	20,276,947	4,407,908	-	24,684,855	26,419,856
Total capital assets	<u>21,760,197</u>	<u>4,407,908</u>	<u>-</u>	<u>26,168,105</u>	<u>189,766,201</u>
Total assets	<u>\$ 29,438,874</u>	<u>\$ 5,708,350</u>	<u>\$ 83,225</u>	<u>\$ 35,230,449</u>	<u>\$ 193,112,637</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 365,300	\$ 47,417	\$ 15,086	\$ 427,803	\$ 199,023
Accrued payroll and related liabilities	9,948	3,186	8,394	21,528	9,310
Interest payable	186,872	-	-	186,872	-
Deposits and retentions	182,490	-	48,062	230,552	-
Compensated absences	101,968	43,577	19,282	164,827	84,397
Claims payable	-	-	-	-	197,000
Bonds payable	290,000	-	-	290,000	-
Total current liabilities	<u>1,136,578</u>	<u>94,180</u>	<u>90,824</u>	<u>1,321,582</u>	<u>489,730</u>
Noncurrent liabilities:					
Bonds payable	11,060,000	-	-	11,060,000	-
Total noncurrent liabilities	<u>11,060,000</u>	<u>-</u>	<u>-</u>	<u>11,060,000</u>	<u>-</u>
Total liabilities	<u>12,196,578</u>	<u>94,180</u>	<u>90,824</u>	<u>12,381,582</u>	<u>489,730</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	10,410,197	4,407,908	-	14,818,105	189,766,201
Unrestricted	6,832,099	1,206,262	(7,599)	8,030,762	2,856,706
Total net assets	<u>\$ 17,242,296</u>	<u>\$ 5,614,170</u>	<u>\$ (7,599)</u>	<u>\$ 22,848,867</u>	<u>\$ 192,622,907</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Revenues, Expenditures, and Changes in Net Assets**

**Proprietary Funds**

**Year Ended June 30, 2007**

	<u>Enterprise Funds</u>				<b>Governmental Activities - Internal Service Funds</b>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 4,727,750	\$ 721,308	\$ 493,429	\$ 5,942,487	\$ 2,516,555
Licenses and permits	-	-	9,236	9,236	-
Miscellaneous	-	-	1,012	1,012	-
Total operating revenues	<u>4,727,750</u>	<u>721,308</u>	<u>503,677</u>	<u>5,952,735</u>	<u>2,516,555</u>
Operating expenses:					
Cost of sales and services	1,204,948	-	383,047	1,587,995	2,396,649
General and administrative	463,111	-	116,494	579,605	137,330
Public works	-	707,279	-	707,279	-
Amortization	840,811	28,858	-	869,669	722,376
Total operating expenses	<u>2,508,870</u>	<u>736,137</u>	<u>499,541</u>	<u>3,744,548</u>	<u>3,256,355</u>
Operating income (loss)	2,218,880	(14,829)	4,136	2,208,187	(739,800)
Non-operating revenues (expenses):					
Investment income	193,401	-	1,500	194,901	18,819
Capital improvements	(106,951)	(30,964)	(6,000)	(143,915)	(17,756)
Interest expense	(693,759)	-	-	(693,759)	-
Total non-operating revenues (expenses)	<u>(607,309)</u>	<u>(30,964)</u>	<u>(4,500)</u>	<u>(642,773)</u>	<u>1,063</u>
Income (loss) before transfers	1,611,571	(45,793)	(364)	1,565,414	(738,737)
Capital contributions	-	-	-	-	568,579
Transfers in	3,961,919	6,900	114,760	4,083,579	-
Transfers out	<u>(3,961,919)</u>	<u>(160,024)</u>	<u>(137,744)</u>	<u>(4,259,687)</u>	<u>(17,889)</u>
Change in net assets	1,611,571	(198,917)	(23,348)	1,389,306	(188,047)
Net assets:					
Beginning of year, as restated	15,630,725	5,813,087	15,749	21,459,561	192,810,954
End of year	<u>\$ 17,242,296</u>	<u>\$ 5,614,170</u>	<u>\$ (7,599)</u>	<u>\$ 22,848,867</u>	<u>\$ 192,622,907</u>

See Accompanying Notes to Basic Financial Statement

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Cash Flows**

**Proprietary Funds**

**Year Ended June 30, 2007**

	<u>Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 6,750,863	\$ 2,402,064
Payments to suppliers	(1,585,383)	(2,380,884)
Payments to employees	(505,259)	(112,525)
Other receipts (payments)	(1,009,564)	(413,036)
Net cash provided (used) by operating activities	<u>3,650,657</u>	<u>(504,381)</u>
<b>Cash flows from non-capital financing activities:</b>		
Operating subsidies and transfers to other funds	(176,108)	(17,889)
Net cash (used) by financing activities	<u>(176,108)</u>	<u>(17,889)</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital improvements	(143,915)	(17,756)
Purchases of capital assets	(7,328,106)	1,067,220
Principal paid on capital debt	(280,000)	-
Interest paid on capital debt	(693,759)	-
Net cash (used) by capital and related financing activities	<u>(8,445,780)</u>	<u>1,049,464</u>
<b>Cash flows from investing activities:</b>		
Interest and dividends	194,901	18,819
Net cash provided by investing activities	<u>194,901</u>	<u>18,819</u>
Net (decrease) in cash flows	(4,776,330)	546,013
Balances - Beginning of the year	11,770,501	2,588,442
Balances - end of the year	<u>\$ 6,994,171</u>	<u>\$ 3,134,455</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 2,208,187	\$ (739,800)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	869,669	722,376
Change in assets and liabilities:		
Receivables, net	799,137	(114,491)
Prepaid expenses	(26,934)	(412,660)
Other assets	-	(376)
Deferred charges	(61,772)	-
Accounts payable	7,773	15,765
Accrued payroll and related liabilities	112,289	3,196
Interest payable	(92,549)	-
Deposits and retentions	(122,041)	-
Compensated absences	(43,102)	21,609
Net cash provided by operating activities	<u>\$ 3,650,657</u>	<u>\$ (504,381)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Net Assets**

**Fiduciary Funds**

**Year Ended June 30, 2007**

<b>ASSETS</b>	<u><b>Agency Funds</b></u>
Cash and investments	\$ 323,973
Cash and investments with fiscal agents	86,231
Accounts receivable	11,235
<b>Total assets</b>	<u><u>\$ 421,439</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,190
Deposits and retentions	420,249
<b>Total liabilities</b>	<u><u>\$ 421,439</u></u>

See Accompanying Notes to Basic Financial Statements.

# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements

June 30, 2007

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sierra Madre, California (the "City"), was incorporated on February 2, 1907. The City operates under a Council-Manager form of government. The City's major operations include police protection, fire suppression and prevention, emergency medical response, recreation programs, senior services, local transportation, daycare and teen activities, planning and permit processing, water utility, public library, redevelopment, streets, parks, and pool maintenance, sewer and storm drain maintenance, and general government and administrative services.

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

### A. Financial Reporting Entity

The reporting entity, "City of Sierra Madre", is comprised of the various funds of the City of Sierra Madre (City), the Sierra Madre Community Redevelopment (Agency), and the Sierra Madre Public Finance Authority (Authority). As required by generally accepted accounting principles in the United States of America, these financial statements present the City of Sierra Madre (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Sierra Madre elected officials have a continuing oversight responsibility over the Agency and Authority.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to the Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Blended Component Units:

#### **The Sierra Madre Community Redevelopment Agency (Agency):**

The Agency is a blended component unit of the City. It was established in November 1973, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." Its purpose is to prepare and carryout plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City. The City provides management assistance to the Agency and the members of the City Council also act as the governing body of the Agency.

#### **The Sierra Madre Public Financing Authority (Authority):**

The Authority is a joint powers authority organized pursuant to Government Code Section 6500 of the State of California. The Authority exists pursuant to a Joint Exercise of Powers Agreement dated November 1972, between the City and the Agency. Its purpose is facilitating the issuance of debt instruments, loans, and other financing to the City or Agency for the construction of public improvements. It has no separate existence and has acted as a conduit between the issuer (the Agency and/or the City) and the underwriters.

Organizations Other Than Component Units:

Other governmental agencies, such as the County of Los Angeles, the Pasadena Unified School District, etc., provide services within the City. However, each of these agencies is governed by an independently elected governing board. Accordingly, their financial information is not included within the scope of this financial report, because the City Council does not have a continuing oversight responsibility over them, nor are their financial operations closely related thereto.



# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Accounting and Measurement Focus

##### Government-Wide Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain types of transactions are reported as program revenues for the City in three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing internal balances of the City, which are presented as internal balances and eliminated in the total primary government column. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net assets.

##### Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the difference in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property tax, sales tax, franchise taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement 34.

#### Proprietary Fund Financial Statements

Proprietary fund financial statement include a Statement of Net Assets, A Statement of Revenues Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for the major proprietary fund and the non-major funds aggregated

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increase (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are recognized when they are earned; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For proprietary type activities, the City has elected to apply all applicable Government Accounting Standards Board (GASB) pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

#### Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### **C. Cash, Cash Equivalents and Investments:**

The City pools its available cash for investment purposes. The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent, as well as short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotation are readily available or exceed cost. However, if the liquidity needs of the City were to require that investments be sold at a loss subsequent to year-end, the decline in value would be recorded as a loss at year-end.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

#### **D. Land Held for Resale:**

Land Held for Resale in the Capital Projects Fund is an inventory of land purchased by the Agency, which will be sold to developers. The land is recorded at the lower of acquisition cost or market. Fund balances are reserved in amounts equal to the carrying value of land held for resale because such assets are not available to finance the City's current operations.

#### **E. Prepaid Expenses:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

#### **F. Inventories:**

Inventories of water meters and fittings are recorded in the Water Enterprise Fund, and are stated at the lower of average cost or market value.

#### **G. Property Tax:**

Property tax in California is levied in accordance with Article 13B of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to State law to the appropriate units of local government.

Property tax revenue is recognized in the fiscal year for which taxes have been levied, provided that the revenue is collected in the current period or will be collected within 60 days thereafter.

The following dates relate to property tax levies and collections:

Lien Date	January 1
Levy Date	July 1
Due Dates	November 1 and February 1
Delinquent Dates	December 10 and April 10

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Depreciation expense is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Fire hydrants	50 years
Park Structures	25 years
Wells	50 years
Manholes	60 years
Reservoirs	75 years
Meters	30 years
Sewer Pipelines	60 years
Water Pipelines	50 years
Spreading Basins	50 years
Pump Stations	60 years
Pressure Reducing Systems	40 years
Buildings	50 years
Infrastructure:	
Streets	30-50 years
Bridges	40 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB No. 34, the City has included all capital assets as of June 30, 2007 in its statement of net assets.

#### I. Claims Payable:

The City records liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **J. Compensated Absences:**

All vested vacation and compensatory leave time is recognized as an expense and as a liability in the proprietary type funds at the time the liability vests. Governmental fund types recognize the vested vacation and compensatory time as expenditure in the current year to the extent that it is paid during the year. Accrued vacation and compensatory time relating to governmental funds is only included as a liability in the Statement of Net Assets as those amounts are payable from future resources and within the respective balance sheets for amounts relating to proprietary funds types.

#### **K. Deferred Charges:**

For governmental fund types, bond premiums and discounts, as well as issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using an effective interested method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

#### **L. Reservations and Designations of Fund Balances:**

Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund balances be segregated or identify the portion of the fund balances not available for future expenditures. Designations of fund balances represent tentative management plans that are subject to change.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### M. Use of Restricted/Unrestricted Net Assets:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

#### Government-Wide

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of restricted net assets.

#### Fund Financial Statements

Fund Equity – Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

#### N. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**2. CASH AND INVESTMENTS**

Cash and investments as reported in the accompanying balance sheet as of June 30, 2007 are as follows:

Cash and Investments:	
Government-Wide	10,236,863
Fiduciary	323,973
Cash and Investments Held by Fiscal Agent:	
Government-Wide	6,060,706
Fiduciary	86,231
Total	<u>\$ 16,707,773</u>

Cash and investments as of June 30, 2007 consisted of the following:

Agency Pooled Amounts	2,566,887
Deposits with Fiscal Agents	6,060,706
Investments with LAIF	8,080,180
Total	<u>\$ 16,707,773</u>

Pooled Cash

Investments in the City of Sierra Madre cash pool cannot be assigned a credit risk category because the City does not own specific securities. However, the City's investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies. City Pooled amounts to the City of Sierra Madre amounted to \$2,566,887.

California Local Agency Investment Fund (LAIF)

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The City may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. As of June 30, 2007, the City's balance was \$8,080,180.



**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**2. CASH AND INVESTMENTS (continued)**

Investments Authorized by the Entity’s Investment Policy

The City’s investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to **interest rate risk, credit risk, and concentration of credit risk.**

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 the bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk, and concentration of credit risk.**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Treasury Bills	None
Money Market Mutual Funds	N/A
Investment Contracts	30 years

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates which 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. As of year end, the weighted average maturity of the investments contained in the LAIF investment pool is not available.

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 2. CASH AND INVESTMENTS (continued)

#### Concentration of Credit

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the total City investments.

#### 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-seller) to a transaction, a government will not be able to recover the value of its investment. This does not apply to the City since custodial credit risk is not applicable to LAIF or bond trustee accounts.

#### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the 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 upon 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.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**3. INTERFUND TRANSACTIONS**

	<u>In</u>	<u>Out</u>
Governmental Funds:		
General Fund	\$ 258,949	\$ 683,626
Non-Housing	-	240,782
Low and Moderate Housing	240,782	-
Grant Funds	15,530	64,293
Other Governmental Funds	879,008	211,571
Enterprise Funds:		
Water	3,961,919	3,961,919
Sewer	6,900	160,024
Other Enterprise Funds	114,760	137,744
Internal Service Funds	-	17,889
Total	<u>\$ 5,477,848</u>	<u>\$ 5,477,848</u>

**4. FUND BALANCE DEFICITS**

The following is a listing of the fund balance deficits at June 30, 2007:

Capital Projects Fund:	
Non Housing	\$ (494,512)
Special Revenue Funds:	
Open Space	(518,014)
State Gas Tax	(28,362)
Firefighter Assistance Grant	(7,158)
DUI Enforcement	(1,951)
Used Oil Block Grant	(1,251)
Emergency Medical Response	(193)
Lighting District - Zone A	(436)
Enterprise Funds:	
Special Events	(2,954)
Recreation	(1,938)
Filming	(1,252)
Aquatics	(1,241)
Daycare Services	(215)

- a. The CRA-Non Housing fund has a net asset deficit of (\$494,512) which is net against the positive net assets of CRA-Debt Services \$3,535,119.
- b. The Open Space fund has a net asset deficit of (\$518,014) which will be covered by revenues in future years.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**4. FUND BALANCE DEFICITS (continued)**

- c. The DUI Enforcement fund has a net asset deficit of (\$1,951) which will be covered by revenues in FY 2007-08.
- d. The Firefighter Assistance Grant fund has a net asset deficit of (\$7,158) which will be covered by revenues in FY 2007-08.
- e. The Used Oil Block Grant fund has a net asset deficit of (\$1,251) which will be covered by revenues in FY 2007-08.
- f. The Emergency Medical fund has a net asset deficit of (\$193) which will be covered by revenues in FY 2007-08.
- g. The Lighting District Zone A fund has a net asset deficit of (\$436) which will be covered by revenues in FY 2007-08.
- h. The State Gas Tax fund has a net asset deficit of (\$28,362) which will be covered by revenues in FY 2007-08.
- i. The Daycare Services fund has a net asset deficit of (\$215) which will be covered by a General Fund subsidy in FY 2007-08.
- j. The Special Events fund has a net asset deficit of (\$2,954) which will be covered by a General Fund subsidy in FY 2007-08.
- k. The Aquatics fund has a net asset deficit of (\$1,241) which will be covered by a General Fund subsidy in FY 2007-08.
- l. The Recreation fund has a net asset deficit of (\$1,938) which will be covered by a General Fund subsidy in FY 2007-08.
- m. The Filming fund has a net asset deficit of (\$1,252) which will be covered by a General Fund subsidy in FY 2007-08.

**5. DEFERRED CHARGES**

The Authority incurred bond issuance costs of in connection with the issuance of the Sierra Madre Financing Authority (Authority) Water Revenue Refunding Bonds, Series 1998A and the Water Revenue Parity Bonds, Series 2003. The issuance costs are being amortized over the life of the Bonds, using the effective interest method. The following is a summary of bond issuance costs at June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance July 1, 2007
<i>Water Revenue Parity Bonds, Series 2003</i>	\$ 479,476	\$ -	\$ 61,772	\$ 417,704
Total	\$ 479,476	\$ -	\$ 61,772	\$ 417,704

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**6. INFRASTRUCTURE AND FIXED ASSETS**

	<u>Governmental</u>	<u>Enterprise</u>
Non-Depreciable assets:		
Land	\$ 162,275,945	\$ 1,483,250
Trees	1,070,400	-
Total non-depreciable assets	<u>163,346,345</u>	<u>1,483,250</u>
Depreciable assets:		
Structures and improvements	11,782,715	6,774,077
Machinery and equipment	1,926,882	8,154,747
Infrastructure	22,928,114	23,446,103
Total depreciable assets	<u>36,637,711</u>	<u>38,374,927</u>
Total capital assets	<u>199,984,056</u>	<u>39,858,177</u>
Less accumulated depreciation	<u>10,217,855</u>	<u>13,690,072</u>
Total net capital assets	<u>\$ 189,766,201</u>	<u>\$ 26,168,105</u>

**Governmental Activities**

	Balance <u>July 1, 2006</u>	Additions	Deletions	Balance <u>June 30, 2007</u>
Non-Depreciable assets:				
Land	\$ 161,707,366	\$ 568,579	\$ -	\$ 162,275,945
Trees	1,070,400	-	-	1,070,400
Total non-depreciable assets	<u>162,777,766</u>	<u>568,579</u>	<u>-</u>	<u>163,346,345</u>
Depreciable assets:				
Structures and improvements	11,973,136	-	190,421	11,782,715
Machinery and equipment	2,331,663	-	404,781	1,926,882
Infrastructure	22,928,114	-	-	22,928,114
Total depreciable assets	<u>37,232,913</u>	<u>-</u>	<u>595,202</u>	<u>36,637,711</u>
Total capital assets	<u>200,010,679</u>	<u>568,579</u>	<u>595,202</u>	<u>199,984,056</u>
Less accumulated depreciation	<u>9,997,375</u>	<u>220,480</u>	<u>-</u>	<u>10,217,855</u>
Total net capital assets	<u>\$ 190,013,304</u>	<u>\$ 348,099</u>	<u>\$ 595,202</u>	<u>\$ 189,766,201</u>

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**6. INFRASTRUCTURE AND FIXED ASSETS (continued)**

**Business-Type Activities**

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Non-Depreciable assets:				
Land	\$ 1,483,250	\$ -	\$ -	\$ 1,483,250
Total non-depreciable assets	<u>1,483,250</u>	<u>-</u>	<u>-</u>	<u>1,483,250</u>
Depreciable assets:				
Structures and improvements	821,290	5,952,787	-	6,774,077
Machinery and equipment	7,925,174	229,573	-	8,154,747
Infrastructure	23,446,103	-	-	23,446,103
Total depreciable assets	<u>32,192,567</u>	<u>6,182,360</u>	<u>-</u>	<u>38,374,927</u>
Total capital assets	<u>33,675,817</u>	<u>6,182,360</u>	<u>-</u>	<u>39,858,177</u>
Less accumulated depreciation	<u>12,777,581</u>	<u>912,491</u>		<u>13,690,072</u>
Total net capital assets	<u>\$ 20,898,236</u>	<u>\$ 5,269,869</u>	<u>\$ -</u>	<u>\$ 26,168,105</u>

**7. LONG-TERM DEBT**

**A. Governmental Activities:**

The following is a summary of long-term debt transactions for the City of Sierra Madre for the year ended June 30, 2007:

	Outstanding July 1, 2006	Additions	Payments	Outstanding July 1, 2007
<i>Tax Increment Revenue Refunding Bond Series 1998A</i>	\$ 3,965,000	\$ -	\$ 205,000	\$ 3,760,000
<i>Capital Leases</i>	103,685		34,562	69,123
Total	<u>\$ 4,068,685</u>	<u>\$ -</u>	<u>\$ 239,562</u>	<u>\$ 3,829,123</u>

Sierra Madre Tax Increment Revenue Refunding Bonds, Series 1998A – Original Issue \$5,175,000

In May 1998, the Sierra Madre Financing Authority issued these bonds on behalf of the Sierra Madre Community Redevelopment Agency in prepayment of its Agency Loan Agreement dated November 1, 1988, by and between the Agency and the Authority.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**7. LONG-TERM DEBT (continued)**

The Tax Increment Revenue Refunding Bonds, Series 1998A mature annually through November 1, 2019 in the amounts ranging from \$155,000 to \$380,000 as of November 1, 1998. The interest on the bonds is payable semi-annually on May 1 and November 1, as of November 1, 1999. The bonds are special obligations of the Authority secured by and payable solely as of the tax rate of the Tax Increment Revenue Refunding Bonds, Series 1998A ranging from 3.8% to 5.0%. The bonds are subject to mandatory sinking redemption and redemption from optional loan prepayments prior to maturity.

The outstanding balance of the Tax Increment Revenue Refunding Bonds, Series 1998A was \$3,760,000 at June 30, 2007. Annual debt service requirements on these bonds are as follows:

<b>Year Ending</b>	<b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008		215,000	181,520	396,520
2009		225,000	171,288	396,288
2010		235,000	160,125	395,125
2011		245,000	148,125	393,125
2012		255,000	135,625	390,625
2013-2017		1,500,000	466,250	1,966,250
2018-2020		1,085,000	83,125	1,168,125
Total		<u>\$ 3,760,000</u>	<u>\$ 1,346,058</u>	<u>\$ 5,106,058</u>

Capital Leases

The city has entered into various lease purchase agreements for equipment. These leases have been classified as capital leases.

Compensated Absences

The City accrues vacation and sick pay that have been earned for employees at June 30, 2007, but has not been taken at that date.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**7. LONG-TERM DEBT (continued)**

**B. Business-type activities:**

The following is a summary of long-term debt transactions of Enterprise Funds for the City of Sierra Madre for the year ended June 30, 2007.

	Outstanding July 1, 2006	Additions	Payments	Outstanding July 1, 2007
<i>Water Revenue Refunding Bonds, Series 1998A</i>	\$ 4,880,000	\$ -	\$ (280,000)	\$ 4,600,000
<i>Water Revenue Parity Bonds, Series 2003</i>	6,750,000	-	-	6,750,000
Total	<u>\$ 11,630,000</u>	<u>\$ -</u>	<u>\$ (280,000)</u>	<u>\$ 11,350,000</u>

*Sierra Madre Water Revenue Refunding Bonds, Series 1998A—Original issue \$6,740,000:*

In May 1998, the City entered into an installment agreement with a component unit of the City, The Sierra Madre Financing Authority to issue bonds totaling \$6,740,000. The purpose of the Water Revenue Refunding Bonds was to assist the City in prepayment of its City Loan Agreement, dated November 1, 1988, by and between the City and the Authority.

The Water Revenue Refunding Bonds mature annually through November 1, 2018 in amounts ranging from \$200,000 to \$495,000 as of November 1, 1999. The interest on the bonds is payable semi-annually on each May 1 and November 1, as of November 1, 1998. The interest rates of the bonds range from 3.65% to 5.00%. The bonds are secured by and payable solely from revenues of the City's Water Enterprise Fund.

The outstanding balance of the Water Revenue Refunding Bonds, Series 1998A was \$4,600,000 at June 30, 2007. Annual payments on these bonds are as follows:

<b>Year Ending</b>	<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$	290,000	\$ 221,270	\$ 511,270
2009		300,000	207,550	507,550
2010		320,000	192,500	512,500
2011		335,000	176,125	511,125
2012		350,000	159,000	509,000
2013-2017		2,040,000	506,000	2,546,000
2018-2019		965,000	48,875	1,013,875
Total	\$	<u>4,600,000</u>	<u>\$ 1,511,320</u>	<u>\$ 6,111,320</u>



**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**7. LONG-TERM DEBT (continued)**

*Sierra Madre Water Revenue Parity Bonds, Series 2003 –Original issue \$6,750,000:*

In August 2003, the City entered into an installment agreement with a component unit of the City, The Sierra Madre Financing Authority to issue bonds totaling \$6,750,000. The purpose of the Water Revenue Refunding Bonds was to finance certain improvements to the water production, treatment and distribution system of the City.

The Water Revenue Parity Bonds mature annually through November 1, 2018 in amounts ranging from \$310,000 to \$625,000. The interest on the bonds is payable semi-annually on each May 1 and November 1, as of November 1, 2003. The interest rates of the bonds range from 5.14% to 5.25 %. The bonds are secured by and payable solely from revenues of the City’s Water Enterprise Fund. The bonds are subject to special mandatory redemption, mandatory sinking fund redemption and redemption from optional prepayment of installment payments prior to maturity.

The outstanding balance of the Water Revenue Parity Bonds, Series 2003 was \$6,750,000 at June 30, 2007. Annual payments on these bonds are as follows:

<b>Year Ending</b>	<b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008	-	-	339,345	\$ 339,345
2009	-	-	339,345	339,345
2010	-	-	339,345	339,345
2011	-	-	339,345	339,345
2012	-	-	339,345	339,345
2013-2017	-	-	1,696,725	1,696,725
2018-2022		975,000	1,625,100	2,600,100
2023-2027		1,995,000	1,213,600	3,208,600
2028-2032		2,560,000	645,940	3,205,940
2033-2034		1,220,000	62,558	1,282,558
Total		<u>\$ 6,750,000</u>	<u>\$ 6,940,648</u>	<u>\$ 13,690,648</u>

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 8. SELF-INSURANCE JOINT POWERS AUTHORITY

#### A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 114 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

#### B. Self-Insurance Programs of the Authority

**General Liability:** Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$10,000,000, \$18,000,000 to \$23,000,000, and \$45,000,000 to \$50,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$10,000,000 to \$18,000,000 and \$23,000,000 to \$45,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

**Workers' Compensation:** The City of Sierra Madre also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to

## CITY OF SIERRA MADRE, CALIFORNIA

### Notes to Basic Financial Statements (continued)

#### 8. SELF-INSURANCE JOINT POWERS AUTHORITY (continued)

\$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$200,000,000 are transferred to reinsurance carriers. Costs in excess of \$200,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

##### C. Purchased Insurance

**Environmental Insurance:** The City of Sierra Madre participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Sierra Madre. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

**Property Insurance:** The City of Sierra Madre participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Sierra Madre property is currently insured according to a schedule of covered property submitted by the City of Sierra Madre to the Authority. Total all-risk property insurance coverage is \$42,665,470. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

**Crime Insurance:** The City of Sierra Madre purchases crime insurance coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**8. SELF-INSURANCE JOINT POWERS AUTHORITY (continued)**

Special Event Tenant User Liability Insurance: The City of Sierra Madre further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City of Sierra Madre according to a schedule. The City of Sierra Madre then pays for the insurance. The insurance is arranged by the Authority.

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Year Ended June 30	Claims Payable July 1	Claims and Changes in Estimates	Payments and Decreases in Estimates	Claims Payable June 30
2005	\$ 197,000	\$ -	\$ -	\$ 197,000
2006	197,000	-	-	197,000
2007	197,000	-	-	197,000

**9. DEFERRED COMPENSATION PLAN**

The City has made available to its employees a deferred compensation plan, whereby employees authorize the City to withhold funds from salaries to be invested in individual investment accounts. Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plan. The amount held by trustees for the employees at June 30, 2007 was \$1,541,974 and in accordance with GASB 32 is not recorded in the books of the City.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 10. RETIREMENT PLAN

#### Plan Description: PERS Defined Benefit Pension Plan

The City of Sierra Madre contributes to the California Public Employees Retirement System (PERS), an agency multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

#### Funding Policy

Participants are required to contribute 7% of their covered salary except for safety employees who are required to contribute 9% for safety of their annual covered salary. The City makes the contributions required of all City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 12.408% of annual covered payroll for regular employees and 31.162% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

#### Annual Pension Cost

For 2007, the City's annual pension cost of \$742,374 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, ranging from 3.25% to 14.45% depending on age, service, and type of employment; and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value).

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**10. RETIREMENT PLAN (continued)**

Three-Year Trend Information for PERS (City)

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 577,059	100%	-
2006	693,611	100%	-
2007	742,374	100%	-

Pool's Employer Contribution Funding History (\$Amounts in Thousands)  
(Most recent Information Available)

Valuation Date	Actuarial Value of Assets (AVA) (A)	Accrued Liabilities (AL) (B)	Unfunded Liabilities (UL) (B-A)	Funded Ratio (AVA/AL) (A/B)	Annual Covered Payroll (C)	UL as a % of Payroll [(B-A)/C]
2005	\$ 500,389	\$ 579,276	\$ 78,887	86.4%	\$ 129,379	61.0%
2006	787,759	912,989	125,230	86.3%	200,320	62.5%
2007	1,149,247	1,315,454	166,207	87.4%	289,090	57.5%

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Basic Financial Statements (continued)

### 11. COMMITMENTS AND CONTINGENCIES

#### A. Grant Audits:

The City participates in Federal and State grant programs. No cost disallowance is expected, as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

#### B. Litigation:

The City is involved in certain matters of litigation that have arisen in the normal course of operations. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome occur.

#### C. Compliance with Laws and Regulations:

The City has failed to comply with certain federal, state and bond covenants by not filing its audited statements as required by law, regulation or bond covenant in a timely manner. Management is working to have prepared and filed such audits to fulfill such regulatory requirements.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Basic Financial Statements  
(continued)

**12. NET ASSETS RESTATEMENT**

The City's beginning fund balances have been restated to reflect the cumulative effect of the implementation of Statement No. 34. Subsequent to 2006 management discovered adjustments were needed to comply with GASB 34. The following table provides a reconciliation of the fund balances as of June 30, 2006, as previously reported, to fund balances as of June 30, 2006, as restated.

Basic Financial Statements:

	<b><u>Governmental</u></b>	<b><u>Proprietary</u></b>
Net assets as of June 30, 2006, as previously reported	\$ 195,641,848	\$ 21,502,527
Additions:	34,079	-
Reductions:	(126,375)	(42,966)
Net assets as of June 30, 2006, as restated	<b><u>\$ 195,549,552</u></b>	<b><u>\$ 21,459,561</u></b>

Fund Financial Statements:

	<b><u>Governmental</u></b>	<b><u>Proprietary</u></b>
Net assets as of June 30, 2006, as previously reported	\$ 2,848,787	\$ 15,673,691
Additions:	-	-
Reductions:	(126,375)	(42,966)
Net assets as of June 30, 2006, as restated	<b><u>\$ 2,722,412</u></b>	<b><u>\$ 15,630,725</u></b>



## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SIERRA MADRE, CALIFORNIA**

**General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Budget and Actual**

**Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
Revenues:				
Taxes	\$ 2,255,200	\$ 4,416,503	\$ 5,218,700	\$ 802,197
Charges for services	31,300	184,175	174,410	(9,765)
Intergovernmental	577,000	903,097	867,994	(35,103)
Licenses and permits	104,700	78,035	91,851	13,817
Fines and forfeitures	85,300	39,000	127,206	88,206
Use of money and property	72,700	67,870	251,165	183,295
Other	65,000	126,510	306,616	180,106
Total revenues	<u>3,191,200</u>	<u>5,815,190</u>	<u>7,037,942</u>	<u>1,222,753</u>
Expenditures:				
Current:				
General government	1,575,812	1,575,812	1,467,090	108,722
Public safety	3,159,254	3,159,254	3,017,269	141,985
Public works	154,884	154,884	154,523	361
Recreation, environmental and culture	949,723	949,723	933,910	15,813
Capital outlay	2,579	2,579	3,678	(1,099)
Total expenditures	<u>5,842,252</u>	<u>5,842,252</u>	<u>5,576,470</u>	<u>265,783</u>
Excess (deficiency) of revenues over (under) expenditures	(2,651,052)	(27,062)	1,461,472	1,488,534
Other financing sources (uses):				
Transfers in	-	123,500	258,949	135,449
Transfer out	-	(437,494)	(683,626)	(246,132)
Total other financing sources (uses)	<u>-</u>	<u>(313,994)</u>	<u>(424,677)</u>	<u>(110,682)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,651,052)	(341,056)	1,036,795	1,377,851
Fund balances:				
Beginning of year	<u>2,371,490</u>	<u>2,371,490</u>	<u>2,371,490</u>	<u>-</u>
End of year	<u>\$ (279,562)</u>	<u>\$ 2,030,434</u>	<u>\$ 3,408,285</u>	<u>\$ 1,377,851</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Debt Service**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Budget and Actual**

**Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
Revenues:				
Taxes	\$ 1,349,200	\$ 1,397,200	\$ 1,181,808	\$ (215,392)
Use of money and property	2,000	2,000	-	(2,000)
Total revenues	<u>1,351,200</u>	<u>1,399,200</u>	<u>1,181,808</u>	<u>(217,392)</u>
Expenditures:				
Current:				
General government	148,343	148,343	56,381	91,962
Debt service:				
Principal	390,000	390,000	205,000	185,000
Interest	<u>191,129</u>	<u>191,129</u>	<u>191,129</u>	<u>-</u>
Total expenditures	<u>729,472</u>	<u>729,472</u>	<u>452,510</u>	<u>276,962</u>
Excess (deficiency) of revenues over (under) expenditures	621,728	669,728	729,298	59,570
Fund balances:				
Beginning of year	<u>2,722,412</u>	<u>2,722,412</u>	<u>2,722,412</u>	<u>-</u>
End of year	<u>\$ 3,344,140</u>	<u>\$ 3,392,140</u>	<u>\$ 3,451,710</u>	<u>\$ 59,570</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Non-Housing**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Budget and Actual**

**Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 50,000	\$ 2,000	\$ 394,075	\$ 392,075
Other	3,000	3,000	-	(3,000)
Total revenues	<u>53,000</u>	<u>5,000</u>	<u>394,075</u>	<u>389,075</u>
Expenditures:				
Current:				
General government	738,278	738,278	915,735	(177,457)
Capital outlay	<u>9,281</u>	<u>9,281</u>	<u>7,440</u>	<u>1,841</u>
Total expenditures	<u>747,559</u>	<u>747,559</u>	<u>923,175</u>	<u>(175,615)</u>
Excess (deficiency) of revenues over (under) expenditures	(694,559)	(742,559)	(529,100)	213,459
Other financing sources (uses):				
Transfer out	-	-	(240,782)	(240,782)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(240,782)</u>	<u>(240,782)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(694,559)	(742,559)	(769,882)	(27,323)
Fund balances:				
Beginning of year	<u>275,370</u>	<u>275,370</u>	<u>275,370</u>	<u>-</u>
End of year	<u>\$ (419,189)</u>	<u>\$ (467,189)</u>	<u>\$ (494,512)</u>	<u>\$ (27,323)</u>

See accompanying Notes to Required Supplementary Information

# CITY OF SIERRA MADRE, CALIFORNIA

## Low & Moderate Housing

### Statement of Revenues, Expenditures, and Changes in Fund Balances

#### Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 54,893	\$ 52,893
Other	-	-	-	-
Total revenues	2,000	2,000	54,893	52,893
Expenditures:				
Current:				
General government	173,412	173,412	138,666	34,746
Total expenditures	173,412	173,412	138,666	34,746
Excess (deficiency) of revenues over (under) expenditures	(171,412)	(171,412)	(83,773)	87,639
Other financing sources (uses):				
Transfers in	-	-	240,782	240,782
Total other financing sources (uses)	-	-	240,782	240,782
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(171,412)	(171,412)	157,009	328,421
Fund balances:				
Beginning of year	1,576,317	1,576,317	1,576,317	-
End of year	\$ 1,404,905	\$ 1,404,905	\$ 1,733,326	\$ 328,421

See accompanying Notes to Required Supplementary Information.

# CITY OF SIERRA MADRE, CALIFORNIA

## Grants

### Statement of Revenues, Expenditures, and Changes in Fund Balances

#### Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenues:				
Intergovernmental	\$ 1,023,957	\$ 325,233	\$ 545,630	\$ 220,397
Use of money and property	200	200	-	(200)
Total revenues	1,024,157	325,433	545,630	220,197
Expenditures:				
Current:				
General government	27,000	27,000	20,774	6,226
Public safety	117,543	117,543	220,428	(102,885)
Public works	36,620	36,620	4,929	31,691
Recreation, environmental and culture	18,657	18,657	5,965	12,692
Capital outlay	1,500	1,500	591,457	(589,957)
Total expenditures	201,320	201,320	843,553	(642,234)
Excess (deficiency) of revenues over (under) expenditures	822,837	124,113	(297,923)	(422,036)
Other financing sources (uses):				
Transfers in	-	-	15,530	15,530
Transfer out	-	-	(64,293)	(64,293)
Total other financing sources (uses)	-	-	(48,763)	(48,762)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	822,837	124,113	(346,686)	(470,799)
Fund balances:				
Beginning of year	(121,227)	(121,227)	(121,227)	-
End of year	\$ 701,610	\$ 2,886	\$ (467,913)	\$ (470,799)

See accompanying Notes to Required Supplementary Information.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to Required Supplementary Information

Year Ended June 30, 2007

**(1) BUDGETS AND BUDGETARY ACCOUNTING**

The City adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The City Manager or his designee is authorized to transfer budgeted amounts between the accounts of any department. Revisions that alter the total appropriations of any department or fund may be approved by City Council. Prior year appropriations lapse unless they are approved for carryover into the following fiscal year. Expenditures may not legally exceed appropriations at the program level. Reserves for encumbrances are not recorded by the City of Sierra Madre.

**(2) EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures for the year ended June 30, 2007 exceeded the appropriations of the following funds/programs:

	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u> <u>Variance</u>
General Fund:			
Capital Outlay	2,579	3,678	(1,099)
Non-Housing:			
General Government	738,278	915,735	(177,457)
Grants			
Public Safety	117,543	220,428	(102,885)
Capital Outlay	1,500	591,457	(589,957)