

# CITY OF SIERRA MADRE

SIERRA MADRE, CALIFORNIA



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

with

Independent Auditors' Report

June 30, 2010

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

CITY OF SIERRA MADRE, CALIFORNIA

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January 25, 2010  
Honorable Mayor and City Council  
City of Sierra Madre  
Sierra Madre, California

To the Honorable Mayor, Members of the Governing Council and Citizens of the City of Sierra Madre:

It is with great pleasure that we present to you the City of Sierra Madre's Financial Report for the fiscal year ending June 30, 2010. The report complies with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) statement 34, and for the first year contains the City's Other Post Employment Benefit obligation as required by GASB statement 45. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB has the primary responsibility for determining accounting and financial reporting standards for state and local government entities.

This Financial Report is organized into three sections:

1. Introductory Section - The introductory section, includes the table of contents, letter of transmittal, a list of the City's elected officials and City administrative personnel and an organization chart.
2. Financial Section – The financial section includes the independent auditors' opinion, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, and required supplemental information.
3. Statistical Section – The statistical section has been redesigned in compliance with GASB No. 44 and provides schedules designed to reflect financial trends, revenue capacity, debt capacity, demographic and economic information.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Sierra Madre's financial statements have been audited by *Beranek, Chan, and Associates*, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sierra Madre for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Sierra Madre's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP 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 of Sierra Madre's MD&A can be found immediately following the report of the independent auditors.

While traditionally addressed to the governing body of the City, this report is also intended to provide relevant financial information to the citizens of the City of Sierra Madre, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Administrative Services Department with any questions or comments concerning this report.

### ***History***

The City of Sierra Madre is located in Southern California and is part of the San Gabriel Valley within Los Angeles County. More specifically, Sierra Madre is located 12 miles northeast of the City of Los Angeles nestled against the foothills with Pasadena to the West and Arcadia to the South and East. The City was incorporated in 1907, under the laws of the State of California. Sierra Madre operates under all the rights and privileges applicable to a general law city under a Council-Manager form of Government.

Under the council-manager form of government, the five member elected at-large governing body, the City Council, is responsible for establishing policy, passing local ordinances, voting appropriations, and developing an overall vision for the City of Sierra Madre. Under such a government, the Mayor performs primarily ceremonial duties and is the presiding officer of the City Council. Selection of the Mayor and Mayor Pro-Tem is done annually in April through a Council nomination and vote.

The City Council then appoints a City Manager to oversee the daily operations of the government and implement the policies established by the governing body. The City Manager serves the governing body, often with an employment agreement or contract that specifies his or her duties and responsibilities.

The City of Sierra Madre is a full-service city with approximately 64 full time employees consisting of eight departments, including a full Police Department and a hybrid paid-volunteer Fire Department. Volunteers are an important part the City organization and community services clubs. In 2007, the City received the All-America City Award.

The City has a population of approximately 11,000 residents. The City has roughly 4200 parcels and provides water and/or sewer utility services to about 3800 customers.

The Redevelopment Agency was created in 1973 pursuant to redevelopment law of the State of California commencing with Health and Safety Code Section 33000. Its purpose is to prepare and carry out plans for the rehabilitation, improvement and development of blighted areas within the project area of the Agency. The City Council serves as the Agency's Board Members. As

such, it is deemed to be financially accountable. Therefore, all Agency financial activities are blended with the City's financial statements.

The Sierra Madre Financing Authority was established on 1972. The purpose of the Authority is to act as a vehicle for various financing activities of the City and the Agency. The bylaws of the Authority establish the City Council as the governing body. This entity is blended into the City's combined financial statements.

### ***Economic Condition and Outlook***

The City of Sierra Madre's is a bedroom community with a small business district in the downtown area covering less than one-half mile block. As a result, Property Tax makes up a little more than 50% of the General Fund revenues while the Utility User Tax brings in another 25% of the City's primary income resources. Sales Tax on the other hand makes up only 5% of the total General Fund resources.

Over the last decade, Los Angeles and California's economy has grown and more recently collapsed due to the 2004 housing boom and 2008 housing market crash. During the housing boom the City's property tax collection grew from \$2.1 million to \$3.1 million between 2004 and 2008. However, these trends stopped in 2008 and now the City property tax collection is \$3.3 million in Fiscal Year 2009-2010; a much flatter growth of only 0.5% year-over-year for three years. The County of Los Angeles overall tax collection for 2010-2011 will be negative for a third year in a row. The City of Sierra Madre property tax collection is projected to be just above 0% at a flat growth of 0.1% in FY 2010-2011.

Despite the recent years of flat growth in property taxes, the General Fund financial health remains stable primarily due to the April 2008 voter approved increase in the Utility User Tax (UUT). In July 2008, the UUT increased from 6% to 8%, followed by another 2% increase (8% to 10%) effective July 1, 2009. In addition to voter approval of an increase in the UUT (established by Measure U), the voters also approved an advisory measure (Measure UA) providing direction to the City Council regarding the voters preferred use of the increased UUT revenue; towards increased public safety. At the end of each fiscal year, the City Council appoints a five member UUT Oversight Committee (plus the City Treasurer, resulting in a 6 member committee) to review the UUT revenues and public safety appropriations to determine that the voter's intent, pursuant to Measure UA, was satisfied.

Each April, the Administrative Services Director presents a mid-year budget report to the City Council. In April 2010, staff presented a report that showed the UUT collection during 2009-2010 was greater than projected. The City Council gave two directions to the City Manager; 1) Do not increase UUT collection for July 2010 (as allowed by Measure U), but keep it set at 10%; and 2) Carry-over \$400,000 for public safety enhancements and equipment purchase carryover in both the Police and Fire Department for Fiscal Year 2010-2011. (Resolution 10-43). Again in April 2011, the Administrative Services Director will present FY 2010-2011 mid-year budget to the City Council for further discussion on the UUT and all incoming revenues and City expenditures.

The City has adopted a balanced budget for the 2010-2011 fiscal years. Every year, based on economic changes, mid-year adjustments are made to revenues and expenditures. It is important for the City to monitor and control all expenditure increases because, revenues are not anticipated to keep pace with expenditures. In addition, the City must continue to look at setting aside reserves for building and infrastructure needs.

Although the focus of this Financial Report is the economic condition of the City at June 30, 2010, the future stability of the State of California's budget situation is a critical element of our economic condition. The Management Discussion and Analysis (MD&A) will address this issue.

***Major Accomplishments for the Year:***

- General Plan Update Committee appointed to begin updating The City's General Plan document
- Canyon Zone Committee appointed to create new canyon area zoning standards
- Initiated a new street condition inventory, and began 2009 Street Improvement Project
- Initiated on-line video streaming of City Council meetings
- Began renovation of the Sierra Madre Room
- Adopted vacant property maintenance standards
- Received \$1.6 million in funding for the city's Master Lease
- Implemented a Water Well Replacement Study
- Implemented new accounting software
- Began City website upgrade
- Implemented the Sidewalk Partnership Program
- Implemented the Street Sign Replacement Program
- Adopted a water efficient landscape ordinance
- Adopted a vacant property maintenance standards ordinance
- Adopted new "posted notice requirements" for project development
- Cleaned the entire 35 mile sewer system
- Adopted new Personnel Rules and Regulations
- Purchased new ambulance, Fire Department apparatus, Public Works and City fleet vehicles, sewer vector truck
- Installed new heating, air conditioning and ventilation system at the Library
- Applied for and received EECBG funds (energy economic stimulus block grants)
- Successful implementation of "no smoking at outside dining" ordinance
- Completed Sewer Master Plan
- Successfully responded to natural disasters, removing mud and debris from Canyon areas
- Successful implementation of Ready, Set, Go program, a program that has been replicated in other jurisdictions
- Implemented new library collection development policy
- Initiated a comprehensive Fee Study
- Adopted a water billing policy
- Adopted interest allocation policy
- Completed renovation of Police Department property and evidence room
- Created police officer outreach program at every school in town
- Implemented a new Fire Policy Committee to update Fire Department policies
- Created a Police Chief's Community Advisory Board
- Amended commercial zone standards
- Applied for and received a grant from the State Library for volunteer development

**Other Financial Information**

***Budgetary Control***

The City Council is required to adopt an annual budget by June 30, prior to the beginning of the biennial budget cycle. The budgets are adopted on a basis that does not differ materially from Generally Accepted Accounting Principles (GAAP). An appropriated annual budget is legally adopted for the General and Special Revenue Governmental Funds. Annual appropriated budgets are not adopted for Debt Service Funds because bond indentures are used as the method for adequate budgetary control.

Capital Projects Funds do not have annual appropriated budgets. Instead, control over projects is maintained by means of a project-length capital improvement budget. This project-length budget authorizes total expenditures over the duration of a construction project, rather than year by year. Additionally, planned expenditures for the capital projects and purchases for the current budget cycle are reflected within the operating budgets of the appropriate fund whose resources are used to fund the project.

The City Manager maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and within a single fund. The City Manager may authorize transfers of appropriations within a department so long as it is within a single fund. A department manager may move funds within a single fund between divisions and categories (personnel and non-personnel) without City Manager approval. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are each considered to be a single department. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year, could be significant in relationship to the original budget as adopted (see Budget Amendment Procedures).

The City uses an "encumbrance system". Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as reserved fund balance. In order to be an encumbered appropriation there must be either an approved purchase order or contract in force as of June 30. All unencumbered appropriations lapse at fiscal year-end.

#### ***Financial Policies***

The City Council adopted a financial policy to accumulate undesignated General Fund reserves equal to 50% of operating revenues. The Internal Services should establish cost allocations equal to 120% of operating expenditures so as to plan for vehicle replacement, infrastructure maintenance and enhancements, technology upgrades and replacements, and increases in insurance premiums.

#### ***Debt Administration***

The City's General Fund does not have any general obligation bonds as of June 30, 2010.

The City's General Fund and Internal Services Funds have a 10 year Master Lease with a combined outstanding balance of \$1,224,674 as of June 30, 2010

The City's Water Fund has two Water Revenue Bonds and one interest free loan as of June 30, 2010

1. WATER REVENUE BONDS (1998 SERIES) with an outstanding balance of \$3,690,000.
2. WATER REVENUE BONDS (2003 SERIES) with an outstanding balance of \$6,750,000.
3. SAN GABRIEL VALLEY WATER DISTRICT TEN-YEAR INTEREST FREE NOTE with an outstanding balance of \$1,456,875.

The City's Sewer Fund has a 10 year Master Lease with an outstanding balance of \$433,040 as of June 30, 2010.

The City's Community Redevelopment Agency has a TAX INCREMENT REVENUE REFUNDING BOND (1998 SERIES) with an outstanding balance of \$3,085,000 as of June 30, 2010.



The City made all required debt obligations in a timely manner in FY 2009-2010.

### ***Risk Management***

The City of Sierra Madre is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §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 lines of coverage. The City has coverage for property, automotive, earthquake, flood, pollution and crime insurance. The City has deductibles ranging from \$30,000 to \$100,000 dependent on the policy coverage agreement.

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). 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.

### ***Long-term Financial Planning***

The City updates a five-year Capital Improvement Program (CIP) during the biennial budget process. The City listed approximately \$2.7 million capital projects budgeted in FY 2009-2010 and \$965,000 budgeted for FY 2010-2011; of these projects, about 75% were either started or completed in this biennial budget cycle. The CIP includes improvements to community trails and parkway, street repavement program, refurbishment of the City Maintenance Yard trash dock, the Sierra Madre Room renovation, Hart Park House renovation, water meter replacement, energy efficiency upgrades and replacement of the City's accounting software. Funding for this year's capital projects came primarily from the City's Internal Services Funds and various grants. The five year CIP also lists infrastructure needs particularly in the area of Water and Sewer that exceed \$50 million; these projects do not have a funding source, but remain on the list as the City seeks Federal, State and County assistance.

### ***Cash Management Policies and Practices***

Cash not immediately needed to finance City operations during the year was invested in the State of California's Local Agency Investment Fund (LAIF). The investment program is managed in accordance with the Investment Policy approved by the City Council. In addition, the City had an escrow account established from loan proceeds of the Master Lease provided by Municipal Finance Corporation pending the purchases of the City Council approved equipment. Funds not required for purchasing City equipment will be refunded against the loan. It is the objective of staff to attain a greater percentage of invested funds, while maintaining the necessary reserves needed to fund City services. However, it should be noted that all investment decisions are made by considering safety first, liquidity second, and yield third.

### ***Pension Benefits***

The City provides pension benefits for all full-time and PERs eligible employees through a statewide plan managed by the California Public Employees Retirement System (CalPERS). The City has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payments to CalPERS. Additional information on the plan can be found in Note 10 in the notes to the financial statements.

The City currently follows a pay-as-you-go funding for Other Post Employment Benefits (OPEB). Staff will be recommending to the City Council for consideration a pre-funding policy for this benefit. Additional information on the plan can be found in Note 12 in the notes to the financial statements.

***Independent Audit***

The City requires an annual audit by independent certified public accountants. The accounting firm of *Beranek Chan and Associates*, conducted this year's audit. The auditor's report on the basic financial statements, which include the government-wide and fund financial statements, is located in the financial section of this report.

***Acknowledgements***

The City's Financial Report was prepared through the combined efforts of City staff. Special recognition is due to the Finance Department, in particular Karin Schnaider, Administrative Services Director. With her direction, the entire department assisted in closing the books for the year, ensuring timely and accurate reporting, and in putting this document together.

Lastly, I would like to thank the Mayor, City Council, and City management for their constant support in planning, conducting and improving the financial operations of the City in a conservative and professional manner.

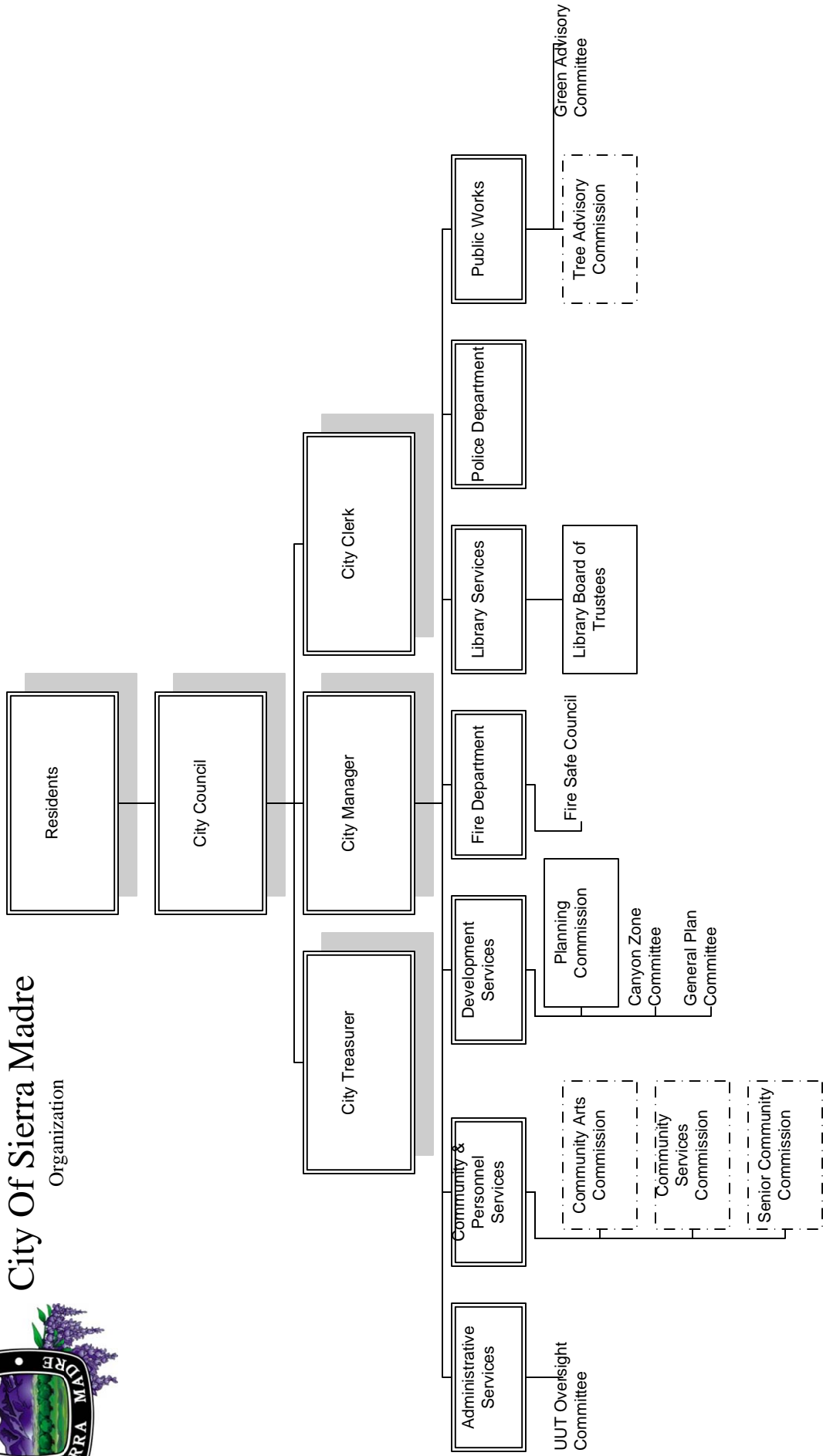
Respectfully submitted,

  
Elaine Aguilar  
City Manager

  
Karin Schnaider  
Administrative Services Director



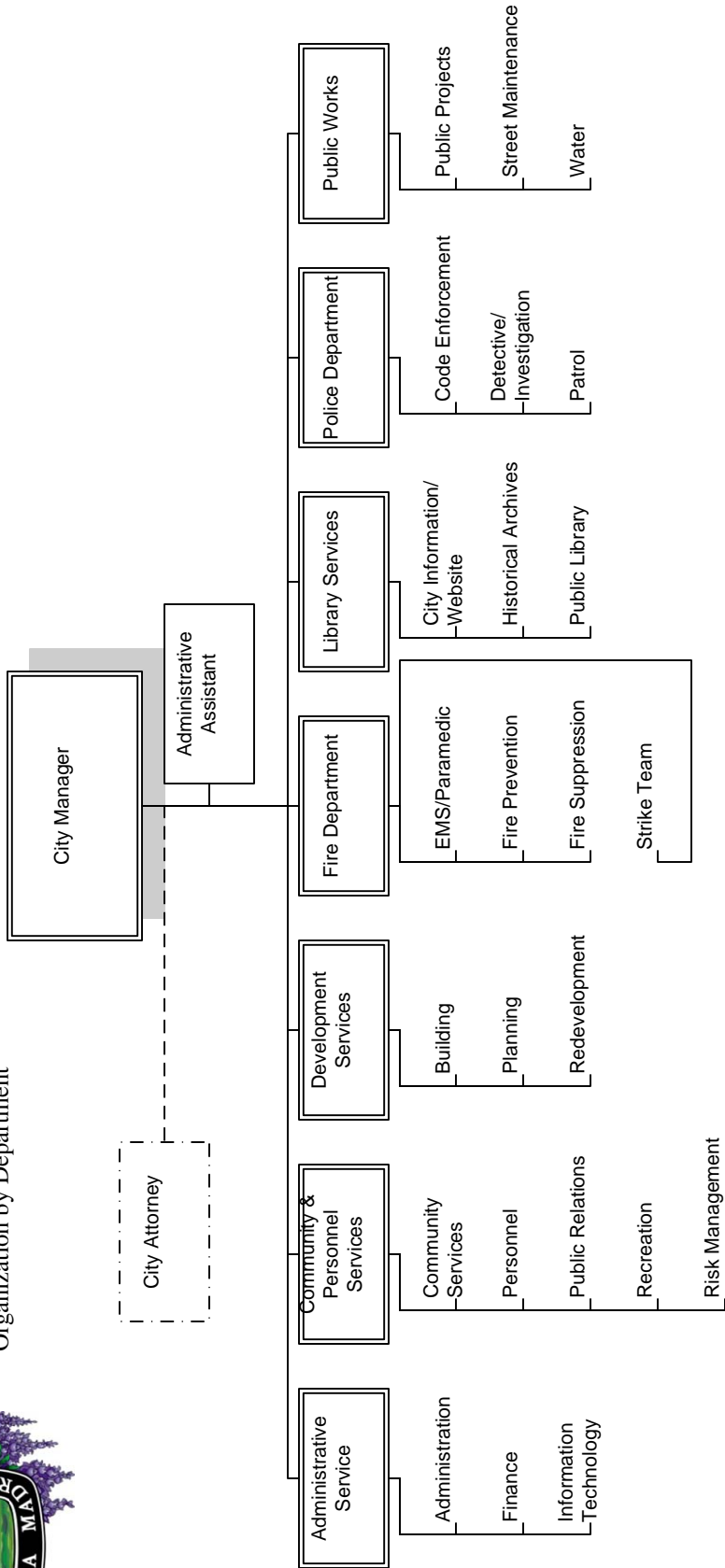
# City Of Sierra Madre Organization





# City Of Sierra Madre

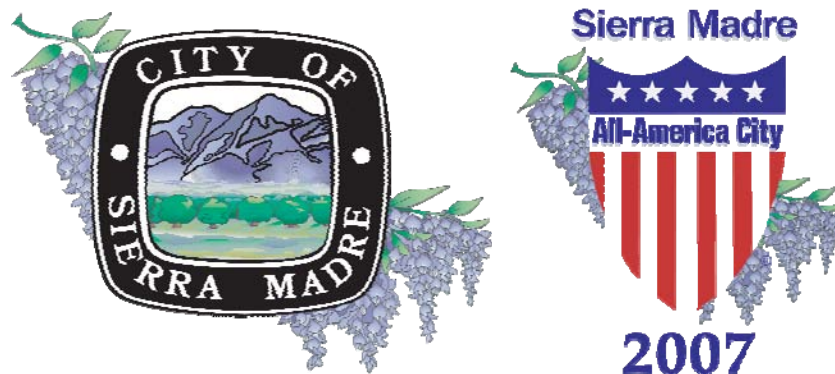
Organization by Department



# City of Sierra Madre, California

*Village of the Foothills*  
*2007 All-America City Recipient*

## Financial Statements



**July 1, 2009 – June 30, 2010**

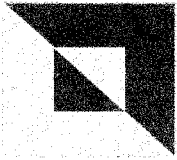
City of Sierra Madre  
Sierra Madre Community Redevelopment Agency  
Sierra Madre Public Financing Authority

### City Council and Elected Officials

Joe Mosca	Mayor
John Buchanan	Mayor Pro Tempore
MaryAnn MacGillivray	Council Member
Josh Moran	Council Member
Nancy Walsh	Council Member
Nancy Shollenberger	City Clerk
George Enyedi	City Treasurer

### Executive Management

Elaine Aguilar	City Manager
Sandi Levin	City Attorney
Karin Schnaider	Administrative Services Director
Elisa Weaver	Community and Personnel Services Director
Danny Castro	Director of Development Services
Steve Heydorff	Fire Chief
Toni Buchner	Director of Library Services
Marilyn Diaz	Police Chief
Bruce Inman	Public Works Director



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**BERANEK CHAN AND ASSOCIATES**

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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, California (City) as of and for the year ended June 30, 2010, 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 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, 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.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated January 5, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as ***Required Supplementary 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.

January 5, 2011  
Arcadia, California

***Beranek Chan and Associates***  
Certified Public Accountants

## **CITY OF SIERRA MADRE MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Sierra Madre ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. This is the sixth year the report complies with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. The new financial reporting model changed the format of the City's financial statements. It has improved financial reporting by adding significant additional information not previously available in local government financial statements. The implementation of GASB 34 has enabled the City Council and residents of Sierra Madre to become more aware of the benefits and information contained in the new financial reporting model. In addition to the fund-by-fund financial information currently presented in the City's financial statements, government-wide financial statements are also included. These include a Statement of Net Assets that provides the total net equity of the City, including infrastructure, and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. Reconciliation reports are provided as a key to understanding the changes between the two reporting methods (found on pages 24 and 26). The new reporting model also includes an emphasis on the City's major funds as shown in the Governmental Fund Statements.

These statements, combined with other information, are further analyzed in the narrative section called Management's Discussion and Analysis (MDA). The MDA provides financial highlights and interprets the reports by analyzing trends and by explaining changes, fluctuations, and variances in the financial data. In addition, the MDA is intended to disclose significant events or decisions that affect the financial condition of the City. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage the readers to consider the information presented here in conjunction with additional information furnished in the Letter of Transmittal in the City's biennial budget and the accompanying basic financial statements. Comparative data on the government-wide financial statements are only presented in the MD&A.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable in understanding of the City's financial activities have been included.

### **FINANCIAL HIGHLIGHTS**

- The City's governmental activities net assets increased \$258,000, or 0.13 percent, and net assets of the business-type activities decreased by \$305,000 or -1.33 percent.
- During the year, the City's General Fund increased by \$1.192 million; the CRA decreased \$205,000; and Total Government Funds increased \$1.818 million.



- In the City's proprietary funds, the Water Fund decreased fund balance by \$208,000; the Sewer Fund decreased \$126,000, Other Enterprise Funds increased \$23,000; and Total Internal Services Fund decreased \$1.385 million.

## **OVERVIEW OF FINANCIAL STATEMENTS**

The City is required to present its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) which includes complying with the Governmental Accounting Standards Board (GASB) pronouncements. In 2004, the City was required to implement GASB Statement No. 34 (GASB 34) which required the City to add new financial reports with a new format to the existing published Financial Report. The new financial reporting format includes the Government-wide Financial Statements, which are comprised of the Statement of Net Assets and the Statement of Activities (explained below), and the original reporting format, which is the Fund Financial Statements (explained below), combined into a single unified format. These two statements combined with the notes to the financial statements comprise the City's basic financial statements. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. This report also contains certain supplementary information to the basic financial statements.

### **Government-wide Financial Statements**

Government-wide financial statements include the City and its component units. As stated in Note 1.a. of the notes to the financial statements, the inclusion of an organization within the scope of the reporting entity of the City of Sierra Madre, as either blended or separately shown, is based on the provisions of GASB Statement No. 14 *The Financial Reporting Entity*. Although legally separate, component units function for all practical purposes as departments of the City and, therefore, have been blended as part of the primary government. The City's component unit is the Sierra Madre Community Redevelopment Agency (CRA).

These statements are designed to provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view is intended to illustrate the City's ability to continue functioning as a viable entity well beyond the next fiscal year's operations. The statements are prepared using the accrual basis of accounting. The accrual basis of accounting considers money available when earned and considers money spent when a liability is incurred. As such, this basis of accounting focuses on measuring economic resources that is available to the City regardless of the timing of the availability of those resources. For example, grant revenue may have been earned as of fiscal year end, but may not be received until several months subsequent to fiscal year end. Under the accrual basis of accounting, this revenue would be recognized as a resource available to the City as of fiscal year end, even though the actual cash is not received for several months. An example related to expenditures would be the City's accrued interest liability. This liability is recognized as a usage of the City's resources as of fiscal year end, even though the actual cash payment will occur over an extended period of time. The accrual basis of accounting is similar to that used by most private sector companies. Accordingly, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, these statements reflect the capitalization and depreciation of infrastructure and other capital

assets (e.g., buildings, vehicles, furniture and fixtures, etc.) as well as the recognition of various long-term liabilities (e.g., bonds payable, accrued employee benefits, claims and judgments payable, etc.).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes, intergovernmental and use of money and property revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government Public safety - police, public safety - fire protection, public safety – community development, community and library services, and engineering and public works. The City's business-type activities include the Municipal Utility operations, and other self-supporting activities.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as net assets. This statement includes changes in "capitalized and depreciated" capital assets. The purpose behind the statement of net assets is that, over time, increases or decreases in the net assets are one potential useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both the governmental activities and the business-type activities are presented on the accrual basis of accounting, which considers money available when earned and considers money spent when a liability is incurred. The accrual basis of accounting focuses on measuring economic resources that are available to the City regardless of timing of the availability of those resources. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 19 through 20 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required by state law and by bond covenants. In addition, in order to meet legal responsibilities for using certain taxes, grants, and other resources, prudent fiscal management requires the establishment of other funds to help control and manage

money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

By contrast to the government-wide financial statements, the governmental fund financial statements, a part of the Fund Financial Statements, use the modified accrual basis of accounting which considers money available when it is collectible within the current period or soon enough thereafter (60 days after the end of the current fiscal period) to pay liabilities of the current period. Expenses are recorded when a liability is incurred. Debt service, claims and judgments, and accrued employee leave benefits are not recorded as liabilities, they are expensed at the time a payment is due. Note 1 of the notes to the Financial Statements more fully describes each basis of accounting.

**Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results in the governmental fund financial statements and those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement (see pages 22 and 24 of this report).

The City maintains 77 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the Redevelopment Agency Capital Project Fund, and the Redevelopment Agency Debt Service Fund, all of which are considered to be major funds. For FY 2009-2010, the City added the Federal Grant called Fire Management Assistance Grant (FMAG) as a major fund. This grant is one-time grant provided by FEMA (Federal Emergency Management Agency) to aide in the costs of the April 2008 Santa Anita Fire. Major funds determination is based on guidelines established by GASB 34. Data for the other 77 governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23 and 25 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget. This comparison can be found on page 59 of this report.

**Proprietary funds:** When the City charges customers' fees to cover the cost of the services it provides, these services are generally reported in proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. In the fund financial statements section, proprietary funds provide similar information to that contained in the *business-type activities* in the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

“*Enterprise*” refers to the fund type while “*business-type*” refers to the activity type. The City uses enterprise funds to account for its Water Utility and Sewer Utility, both of which are major funds; and various smaller self-supporting community operations, which are shown in aggregate titled Other Enterprise Funds. *Enterprise funds* are used to report the same functions presented as *Business-Type* activities in the government-wide financial statements.

*Internal Service* funds by contrast are an accounting mechanism used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for Vehicle/Equipment Replacement and Maintenance, Facilities Maintenance, City Administration/Personnel, and Information Technology (IT), Workers Compensation and Self-Insurance. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Internal Service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting. However, because these services predominantly involve governmental rather than business-type activities, this fund type has been included within *Governmental Activities* in the government-wide financial statements.

***Fiduciary funds:*** The City is the trustee, or *fiduciary*, for certain funds held for construction deposits and to account for the payment of various employee benefits and deductions including, but not limited to, health and dental insurance premiums, federal and state withholding taxes and various other items that is withheld from regular compensation. The City’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets found on page 28. These activities are excluded from the City’s other financial statements since the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **Notes to the Financial Statements**

The notes 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 financial statements begin on page 31 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s budget comparison schedules for the General Fund and each major special revenue fund and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 59 through 65 of this report.

## THE CITY AS A WHOLE

### **Government-Wide Financial Statements**

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

### **The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure, such as City wells and reservoirs construction/replacements, street maintenance/repairs, and building maintenance/ improvements.

In the Statement of Net Assets and the Statement of Activities, City activities are separated as follows:

**Governmental activities** – The majority of the City's basic services are reported in this category, including Administrative Services, Police, Fire, Public Works, Planning and Development Services, Redevelopment, Parks and Recreation, and the Library. Revenues such as property taxes, sales taxes, utility taxes, franchise fees, interest income and other state and federal funds finance these activities.

**Business-type activities** – The City charges a fee to customers to cover the services it provides within this category. The City's Water system, Sewer system and Community operations are reported in this category.

### **Government-wide Financial Analysis**

Our analysis focuses on the City's net assets (Table 1) and the changes in net assets (Table 2) as a result of the City's activities. Comparative total data for the prior year has been presented. An analysis of the significant increases/decreases from the prior year is provided after each table.

**Net Assets:** Net Assets, the difference between a government's assets and its liabilities, may serve over time as one potential useful indicator of a government's financial position (Table 1). Net assets includes the City's capital assets, cash balances, amounts receivable from other entities, and other similar resources offset by payments due to vendors, interest payable, long-term debt, and other similar obligations. In the case of the City, total assets (of which 90% represents capital assets of the City, including infrastructure) exceeded total liabilities by \$220,925,890 at the close of the most recent fiscal year. This year, City's net assets, including both the governmental activities and business-type

activities, decreased by \$43,000.

TABLE 1

NET ASSETS  
(In Thousands)

As of June 30, 2010

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2009	2010	2009	2010	2009	2010
<b><u>Assets:</u></b>						
Current and Other Assets	\$15,261	\$15,210	\$6,794	\$7,254	\$22,055	\$22,464
Non-Current Assets	\$ 1,683	\$ 1,683	\$ 366	\$ 341	\$ 2,049	\$ 2,024
Capital Assets	\$187,749	\$187,805	\$28,744	\$28,071	\$216,493	\$215,876
TOTAL ASSETS	\$204,693	\$204,698	\$35,904	\$35,666	\$240,597	\$240,364
<b><u>Liabilities</u></b>						
Current and Other Liabilities	\$ 3,505	\$ 2,370	\$ 1,142	\$ 1,142	\$ 4,647	\$ 3,512
Non-Current Liabilities	\$ 3,085	\$ 3,965	\$11,897	\$11,960	\$ 14,982	\$ 15,925
TOTAL LIABILITIES	\$ 6,590	\$ 6,335	\$13,039	\$13,102	\$ 19,629	\$ 19,437
<b><u>Net Assets:</u></b>						
Invested in Capital Assets, Net of Related Debt	\$187,749	\$187,805	\$16,527	\$15,741	\$204,276	\$204,546
Restricted						
Debt Service	\$ 2,446	\$ 2,529	\$ -		\$ 2,446	\$ 2,529
Low & Mod. Housing	\$ 2,028	\$ 2,153	\$ -		\$ 2,028	\$ 2,153
Total Restricted	\$ 4,474	\$ 4,682	\$ -	\$ -	\$ 4,474	\$ 4,682
Unrestricted	\$ 5,880	\$ 5,876	\$ 6,338	\$ 6,822	\$ 12,218	\$ 12,698
TOTALNETASSETS	\$198,104	\$198,362	\$22,865	\$22,563	\$220,969	\$220,926

**Statement of Activities and Changes in Net Assets:** Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses before contributions to fund principal, special, and extraordinary items, changes in and total net assets are presented in the Statement of Activities (Table 2). Total revenues decreased by 15.59% and total expenses decreased by 8.27%. The majority of these changes are attributable to the one time Federal Grant (FMAG) for the Santa Anita Fire revenue and expenses.

TABLE 2  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
(In Thousands)  
**As of June 30, 2010**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2009	2010	2009	2010	2009	2010
<b><u>Revenues</u></b>						
Program Revenues						
Charges for Services	\$ 5,521	\$ 5,065	\$ 4,412	\$ 4,173	\$ 9,933	\$ 9,238
Operating Grants and						
Contributions	\$ 2,921	\$ 758	\$ -	\$ -	\$ 2,921	\$ 758
Capital Grants and						
Contributions	\$ 122	\$ 48	\$ -	\$ -	\$ 122	\$ 48
General Revenues						
Taxes	\$ 8,199	\$ 8,906	\$ -	\$ -	\$ 8,199	\$ 8,906
Investment Income	\$ 335	\$ 232	\$ 211	\$ 38	\$ 546	\$ 270
Capital Contributions	\$ 169	\$ 370	\$ 1,044	\$ -	\$ 1,213	\$ 370
<hr/>						
TOTAL REVENUES	\$ 17,267	\$ 15,379	\$ 5,667	\$ 4,461	\$22,934	\$ 19,840
<hr/>						
<b><u>Expenses:</u></b>						
General Government	\$ 7,851	\$ 7,780			\$ 7,851	\$ 7,851
Public Safety	\$ 6,698	\$ 4,380			\$ 6,698	\$ 4,380
Public Works	\$ 806	\$ 884			\$ 806	\$ 884
Development	\$ 431	\$ 376			\$ 431	\$ 376
Culture and Recreation	\$ 1,232	\$ 1,445			\$ 1,232	\$ 1,445
Interest Expense	\$ 168	\$ 156			\$ 168	\$ 156
Water			\$ 3,138	\$ 3,399	\$ 3,138	\$ 3,399
Sewer			\$ 652	\$ 856	\$ 652	\$ 856
Recreation Services			\$ 414	\$ 494	\$ 414	\$ 494
Strike Team			\$ 137	\$ 90	\$ 137	\$ 90
Filming			\$ 27	\$ 48	\$ 27	\$ 48
<hr/>						
TOTAL EXPENSES	\$ 17,168	\$ 15,021	\$ 4,457	\$ 4,887	\$ 21,643	\$ 19,908

Increase/(Decrease) in Net Assets						
before Transfers	\$ 81	\$ 358	\$ 1,210	\$ (426)	\$ 1,291	\$ (68)
Transfers	\$ 94	\$ (115)	\$ (94)	\$ 115	\$ -	\$ -
<b>Changes in Net Assets</b>	<b>\$ 175</b>	<b>\$ 243</b>	<b>\$ 1,116</b>	<b>\$ (311)</b>	<b>\$ 1,291</b>	<b>\$ (68)</b>
Net Assets-beginning of year, as restated	\$ 197,929	\$198,119	\$21,749	\$22,875	\$219,678	\$220,994
<b>Net Assets-end of year</b>	<b>\$ 198,104</b>	<b>\$198,362</b>	<b>\$22,865</b>	<b>\$22,564</b>	<b>\$220,969</b>	<b>\$220,926</b>

**Governmental Activities:** The following (Table 3) presents the cost of each of the City’s six largest programs – general government, public safety, public works, community development, culture and recreation, and interest on long-term debt – as well as, each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions. The table reflects almost a 53% reduction in Public Safety as a result of a closure of a one-time Federal Grant for the Santa Anita Fire.

GOVERNMENTAL ACTIVITIES

(In Thousands)

As of June 30, 2010

	Total Cost of Services	Net Cost of Services
General Government	\$7,780	(\$72)
Public Safety	\$4,380	(\$3,545)
Public Works	\$884	\$71
Development	\$376	(\$63)
Culture and Recreation	\$1,445	\$182
Interest Expense	\$156	(\$13)
<b>Total Governmental Activities</b>	<b>\$15,021</b>	<b>(\$3,440)</b>



## THE CITY'S FUNDS

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The following financial analysis is performed only for the governmental (Table 4) and proprietary funds (Table 5). The fiduciary funds are excluded from this analysis as they do not represent resources available to the City.

**Governmental Funds:** Based upon the audited *Statement of Revenues, Expenditures and Changes in Fund Balance*, the General Fund increased by \$1,191,815 in FY 2009-2010 of which the City Council designated \$400,000 for carryover to fund Public Safety equipment and staffing for Fiscal Year 2010-2011 budget. The General Fund revenues increased by \$632,000, or 8.6%, primarily from increase in Property Tax and UUT; expenditures and net transfers decreased by \$383,000, or -5.31% primarily from Public Safety vacancies and delays in equipment purchases which prompted the City Council to earmark these savings for carryover.

The Community Redevelopment Agency had a \$205,000 decrease in reserves as a result of the State of California taking almost 50% of the current year's Tax Increment. The City's Agency SERAF payment was \$542,513 for FY 2009-2010 and is estimated to be \$224,000 for FY 2010-2011 and going forward.

In 2008, the City experienced a wildfire in the hills above Sierra Madre that spread into the US Forest. The City received a Federal Fire Management Grant (FMAG) from FEMA to assist in the City's cost share of the fire and for the subsequent mudslides. The majority of these costs were paid and the Grant recognized in FY 2008-2009. This grant will remain active for five years for collection of costs related to the fire and mudslides and for the recognition of the related revenues.

TABLE 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(In Thousands)

	As of June 30, 2010					
	REVENUES		EXPENDITURES and TRANSFERS		TOTAL	
	2009	2010	2009	2010	2009	2010
General Fund	\$7,356	\$8,048	\$7,220	\$6,856	\$136	\$1,192
CRA Funds	\$1,446	\$1,426	\$1,428	\$1,631	\$18	(\$205)
FMAG	\$1,526	\$150	\$1,523	\$73	\$3	\$77
Grants	\$749	\$298	\$732	\$108	\$17	\$190
Other Gov't Funds	\$2,214	\$1,769	\$1,859	\$1,205	\$355	\$564
<b>TOTAL</b>	<b>\$13,291</b>	<b>\$11,691</b>	<b>\$12,762</b>	<b>\$9,873</b>	<b>\$529</b>	<b>\$1,818</b>

At June 30, 2009 General Fund Undesignated Fund Balance is \$3,454,250 which is 47% of Operating Revenues. At the close of FY 2009-2010, the City Council designated \$290,000 for future costs related to the Santa Anita Fire and related mudflows.

At June 30, 2010, the General Fund Undesignated Fund Balance is \$4,246,065, or 52% of operating revenues. The City Council designated a carryover of \$200,000 for the City's Housing Element and General Plan update started in FY 2008-2009, but not completed in FY 2009-2010. The City Council designated a carryover of \$400,000 for appropriation increases in FY 2010-2011 Public Safety.

Table 4-a below shows the designated and undesignated fund balances for the General Fund as of June 30, 2010.

TABLE 4-a

<u>Adjustments to General Fund Reserves for the Year Ending June 30, 2009</u>	
General Fund Reserves as of 6/30/2009	\$3,944,250
Designated Reserves: Carry Over (HE & GP)	-200,000
Designated Reserves: Mud Costs (Potential Liability)	-290,000
<b>Adjusted General Fund Undesignated Reserves</b>	<b><u><u>\$3,454,250</u></u></b>

<u>Adjustments to General Fund Reserves for the Year Ending June 30, 2010</u>	
Total Revenue	\$8,048,111
Total Expenditures	\$6,241,471
<u>Net Budgeted Transfers, Out/(In)</u>	<u>(\$614,825)</u>
<b><u>Increase/(Decrease) to Net Assets</u></b>	<b>\$1,191,815</b>
Prior Year Undesignated Reserves	\$3,454,250
General Fund Reserves as of 6/30/2010	\$4,646,065
Designated Reserves: Public Safety Increases	-400,000
<b>Adjusted General Fund Undesignated Reserves</b>	<b><u><u>\$4,246,065</u></u></b>

**Business-Type Funds:** As shown in the *Statement of Activities and Changes in Net Assets*, the amounts paid by users of the systems were \$4.173 million. The cost of all business-type activities including net transfers out this year were \$4.062 million, and non-operating expenses net of capital grants and capital expenses was \$422,000; thus net assets were decreased by \$311,499. The Water fund reflects a reduction in revenues of \$1.963 million, or -46.73%; and a reduction in expenses of \$10,000. The primary cause in these changes was the final grants for the Mira Monte Reservoirs were received in FY 2008-2009 for capital infrastructure improvements that were expensed in FY 2007-2008.

At the close of FY 2009-2010, the City's Internal Services funds decreased net assets by \$1,384,556. This included major capital purchases in Fleet for City vehicles, such as an ambulance, dump trucks and commuter vans; in Administration and IT for new accounting software; and in Facilities for new trash loading and energy efficiency upgrades. These projects were identified in the FY 2007-2009 biennial budget as use of reserves.

TABLE 5  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS  
(In Thousands)

	<b>As of June 30, 2010</b>					
	REVENUES		EXPENDITURES and TRANSFERS		TOTAL CHANGE in NET ASSETS	
	2009	2010	2009	2010	2009	2010
Water	\$4,264	\$2,920	\$3,138	\$3,128	\$1,126	(\$208)
Sewer	\$743	\$720	\$652	\$846	\$91	(\$126)
Other Enterprises	\$659	\$533	\$667	\$510	(\$8)	\$23
TOTAL	\$5,666	\$4,173	\$4,457	\$4,484	\$1,209	(\$311)
Governmental Activities- Internal Service Funds	\$3,974	\$3,219	\$4,737	\$4,604	(\$763)	(\$1,385)

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

By the close of FY 2009-2010, the City has added \$423 thousand to the Capital Assets Current Value. The City has vehicle purchases of \$896,170 and salvaged \$577,573 (depreciated value of \$91,312) for a net change to Current Value of \$318,597. The City entered into a 10-year Master Lease to purchase 6 vehicles estimated at \$1.6 million; see Note 7 of the Notes to the Financial Statements (pages 45-49). Included in the FY 2009-2010 Capital Assets is the One Cat-Loader and the Water Tender. The City completed the purchase of the Fire Engine and Vector Truck during the summer of 2010 and this will be reflected in the FY 2010-2011 financial assets. These assets added \$410,031 to the Current Assets. The additional purchases included replacement of City Fleet; including \$141,254 for a new Paramedic Ambulance and nine service vehicles for \$344,885.

In addition, the City entered into a contract with Tyler Technology for the replacement of the City's Accounting Software. The contract and technology upgrades for this purchase are estimated at \$500,000. Included in FY 2009-2010 Capital Assets is \$369,848 for Work-in-Progress for the implementation of the software.

Details of the City's Infrastructure Schedule are found in Note 6 of the Notes to the Financial Statements (pages 43 and 44).

New Vehicle Purchases for 2009-10	\$ 896,170
Salvaged Vehicles for 09-10	\$ (91,312)
Accounting Software	\$ 369,848
<b>Net Change in Capital Assets Current Value</b>	<b><u>\$ 688,445</u></b>

The City's Budget for FY 2010-2011 includes carryover of approximately \$1.2 million from the City's Master Lease (mentioned above); as well as, \$1 million in building improvements for the Sierra Madre Room and Hart Park House. Also, the City is carrying over approximately \$1.2 million in Special Revenues for Street Replacement Program which went to bid in FY 2009-2010.

### ***Debt Administration***

At the end of the current fiscal year, the City had total long-term debt outstanding of \$3,085,000 for the CRA and \$10,440,000 for the Water Fund. The City entered into a new 10-year Master Lease with Municipal Finance Corporation for \$1.6 million for City vehicle replacement. Additional information on the City's long-term debt can be found in Note 7 of the Notes to the Financial Statements (page 45 through 49).

### **Economic Condition and Budget Outlook**

The City of Sierra Madre with a population of approximately 11,000 is a unique village located in Los Angeles County at the base of the San Gabriel Valley Mountains. Sierra Madre is a residential community, proud of being the Village of the Foothills. Its small size and quiet neighborhoods lends itself to the small town atmosphere the residents are proud to maintain.

The City is a full service municipality operating with a \$20 million budget that funds 68 full-time employees assigned to eight operating departments. Government services are primarily funded by property taxes, local taxes, and user fees. The local economy consists primarily of professional service providers and specialty retail shops and restaurants.

### **General Fund**

In the FY 2007-2008 Biennial Budget Transmittal Letter, the City had concerns about the forecast of revenues over the next five years. Staff's projected that the City's operational costs would continue to increase at a higher rate than the City's increase in revenues. Simply stated, revenues were not projected to keep pace with inflationary growth in expenditures if services remained unchanged. Historically, since 2002, Consumer Price Index (CPI) had risen 3.5% to 4.5% each year, but California local governments' revenue trend was only 1% to 1.5% growth. (Statistics provided by *US Department of Labor*.) Sierra Madre was experiencing these same dichotomies of scale; meaning our operational costs continued to rise, yet City revenue growth was almost flat.

However, starting in late 2008, for the first time since the depression, *US Department of Labor* has reported repeated quarters of negative or flat CPI. The impact on Sierra Madre's revenues has been relatively low as Sales Tax makes up less than 5% of the General Fund revenues; and in fact, Sales Tax continued to grow at a modest 5% year over year in Sierra Madre through 2008-2009. However, Sales Tax statewide and locally

dropped in 2009-2010, although 10% reduction, this reflected as a decrease of \$20,000. In the next two years, the City has assumed a loss in the budget for Sales Tax to reflect similar projected losses in surrounding cities, understanding that this is only a \$20,000 loss for Sierra Madre.

During the housing boom of 2001-2006, the City’s Property Tax was growing at 10-12% each year, but economic indicators were already beginning to show that FY 2007-09 growth would be slowing. For 2007-2008, county wide assessed valuation increased by 8%. The County growth for 2008-2009 was approximately 3%. For FY 2009-2010, the City saw an increase of 1.5% over FY 2008-2009. The slowdown in the housing market will continue to be felt in the next three years as growth continues to decrease.

The City practices a five-year financial plan which forecasted as a deficit year for the City’s General Fund in Fiscal Year 2009-2010. The most pressing was the concerns about meeting increases in salary costs for the Police Officer employees and the continued support of Paramedic services in Sierra Madre. In 2007, the City Council commissioned an Ad-Hoc committee whose focus was to recommend a revenue source to fund a potential \$500,000 a year deficit that would grow to an almost \$1.6 million deficit by FY 2010-2011(compounded). As the General Fund budget was only \$6.5 million, the potential shortfall would have severely impacted City services.

In April 2008, the residents approved an increase to the Utility User Tax (Measure U) placed on the ballot by the City Council to address the General Fund Public Safety budget needs. The first rate increase took effect on July 1, 2008 which increased the tax from 6% to 8% and added Sewer, Trash and Digital Television. (The residential tax impact was estimated to be a 3% increase in UUT from FY 2007-08 to FY 2009-2010 due to the new utilities.) Actual revenues for the UUT were \$1.8 million. This was a \$700 thousand increase over the prior year revenues of \$1.1 million and in FY 2009-2010 this revenue was \$2.57 million.

<u>06/30/2008</u>		
<u>Budget</u>		<u>Actuals</u>
\$997,776		\$1,167,061

<u>06/30/2009</u>		
<u>Original Budget</u>	<u>Revised Budget after Measure U</u>	<u>Actuals</u>
\$997,776	\$1,567,776	\$1,820,422

<u>06/30/2010</u>		
<u>Original Budget</u>	<u>Revised Budget after Measure U</u>	<u>Actuals</u>
\$997,776	\$1,959,720	\$2,575,807

Staff was very conservative in estimating the revenue increases associated with Measure U. With the addition of three new utilities subject to the tax and a revision to telephone utility tax that was added to clarify who was also subject to the utility tax, revenue estimates were much lower than actual. There was no historical data to estimate the impact on Sewer, Trash, Cable and Telephone Utilities affected by ordinance changes. In addition, historical impacts show most consumers will begin to conserve on their utility usage as they see the financial impact on their utility bill from a utility tax. Instead, either from cost increases passed on by the utility providers (Southern California Edison Electricity or The Gas Company) or because residents did not significantly reduce consumption, all tax collections exceeded expectations. The first signs of this did not appear until almost the end of 2008-2009, at which point the estimates for FY 2009-2010 were already established in the adopted budget books. As a result, the City Council took action by Resolution 10-43 to set the tax collection at 10% (by Measure U the tax rate is 12%) for July 1, 2010. The City Council will once again review the financial need of the General Fund public safety needs and set the tax collection (up to 12%) for UUT.

Year	Electricity	Communi- cations	Water/ Sewer	Gas	Cable	Trash	Trash (one-time settlement)	Total
07-08	\$ 450,904	\$ 349,741	\$ 178,482	\$ 187,934	\$ -	\$ -	\$ -	\$1,167,061
08-09	\$ 615,830	\$ 574,575	\$ 255,913	\$ 207,217	\$ 166,887			\$1,820,422
09-10	\$ 687,725	\$ 927,726	\$ 326,261	\$ 217,882	\$ 198,792	\$ 104,886	\$112,536	\$2,575,807
<i>Increase from 07-08 to 09-10</i>	\$ 236,821	\$ 577,984	\$ 147,779	\$ 29,948	\$ 198,792	\$ 104,886	\$ 112,536	\$1,408,746

In conjunction with the increase of Utility User Tax, the General Fund increased its appropriations for Public Safety, particularly in the Police Department budget and Fire/Paramedic Department budgets. The Police Department, which makes up close to 50% of the City's General Fund expenditures, had a budgeted increase by \$831,000; however, due to more than two full-time vacancies, it saw an actual increase of \$523,000 (comparing pre-Measure U FY 2007-2008 to current year). The Fire Department budget was increased by \$30,000; however, vacancies here also caused a reduction in actual expenditures. As a result of these savings, the City Council carried over \$400,000 in General Fund reserves to allow for the purchases of radios, and staffing enhancements (Resolution 10-43).

The City's General Fund subsidy appropriation for the Fire's Paramedic Services Department changed from \$224,000 to \$400,000 in FY 2009-2010 and saw an actual subsidy of \$513,446, primarily due to funds from the sale of Fire Station 2 not being sufficient enough to fund more than 2 years of the paramedic costs.

<i>06/30/2008</i>			
	<u>Budget</u>		<u>Actuals</u>
Police	\$2,509,521	\$2,894,521	\$2,558,091
Fire	\$492,153	\$535,985	\$476,912
Paramedic Subsidy	\$224,000	\$224,000	\$224,000
<b>TOTAL</b>	<b>\$3,225,674</b>	<b>\$3,654,506</b>	<b>\$3,259,002</b>

<i>06/30/2009</i>			
	<u>Original Budget</u>	<u>Revised Budget after Measure U</u>	<u>Actuals</u>
Police	\$2,509,521	\$2,894,521	\$3,032,691
Fire	\$492,153	\$535,985	\$496,594
Paramedic Subsidy	\$224,000	\$224,000	\$224,000
<b>TOTAL</b>	<b>\$3,225,674</b>	<b>\$3,654,506</b>	<b>\$3,753,285</b>

<i>06/30/2010</i>			
	<u>Original Budget</u>	<u>Revised Budget after Measure U</u>	<u>Actuals</u>
Police	\$2,509,521	\$3,340,868	\$3,057,317
Fire	\$492,153	\$522,160	\$486,485
Paramedic Subsidy	\$224,000	\$400,000	\$513,446
<b>TOTAL</b>	<b>\$3,225,674</b>	<b>\$4,263,028</b>	<b>\$4,057,248</b>

Had the City expended all budgeted costs planned, the FY 2009-2010 public safety cost increases would have increased nearly \$1 million over 2007-2008 actuals. The City actual increase in appropriation is \$800,000 plus \$400,000 in carryover appropriations. The UUT increased \$1.4 million in FY 2009-2010 over 2007-2009.

Estimates for FY 2010-2011 Utility User Tax revenue are expected remain flat; therefore, it is estimated the increase of FY 2010-2011 will be \$1.4 million over 2007-2008. Public Safety expenditures are estimated to increase \$1.6 million from salary increases provided through a three-year negotiated contract with the Police Officer Association (contract expiring June 30, 2011); and filling all budgeted positions which included adding a full-time sergeant, two part-time lieutenants, four part-time sworn officers, and two part-time cadets. In the Fire Safety, a new position, part-time engineers, was added to the budget; and recruitment of the paramedic II positions has been filled.

### **Other Funds**

The Development Services Fund's revenues are generated primarily through the collection of development fees and permits. There is a direct correlation between a strong economy and housing market and strong revenues in Development Services. With the housing and economic market recession, Development Services' revenues generated from fees and permits have continued to decrease. To date, the revenues are \$85,000 lower

than FY 2007-08 and \$225,000 lower than FY 2006-07 during the height of the housing market. Unfortunately, even at higher revenue levels, Development Services fees and permits were not covering the cost to perform the overall department services. It is anticipated that the General Fund will continue to subsidize the Development Services fund \$150,000-\$200,000 each fiscal year.

The Water and Sewer Funds primary revenues are generated by utility services provided to the 4400 residential, multi-residential and commercial customers in Sierra Madre. The rates in water and sewer have a flat fee based upon these three categories. Additionally, the water rates' base fee takes into consideration the meter size of each customer. Water consumption is also charged at a current rate of \$1.79 per unit (748 gallons/100 cubic feet). Customers are billed bi-monthly. In January 2010, the City Council approved a water rate increase effective July 1, 2011.

The Sierra Madre Community Redevelopment Agency (CRA) was adopted by Ordinance No. 918, approving and adopting the Redevelopment Plan for the Sierra Madre Boulevard Redevelopment Project on August 13, 1974; and adopted Ordinance No 1106, approving and adopting the First Amendment to the Redevelopment Plan for the Sierra Madre Boulevard Redevelopment Project on October 1, 2001, pursuant to redevelopment law of the State of California commencing with Health and Safety Code Section 33000. Its purpose is to prepare and carry out plans for the rehabilitation, improvement and development of blighted areas within the project area of the Agency. The City Council serves as the Agency's Board Members. As such, it is deemed to be financially accountable. Therefore, all Agency financial activities are blended with the City's financial statements. Also, pursuant to redevelopment law of the State of California, the CRA is subject to a separate Compliance Audit and Report that may be reviewed as supplement to this report.

### **State Budget Concerns**

Regrettably, the State's situation with its budget deficit brings more uncertainty to local governments. As part of the Fiscal Year 2009-2010 State budget, Proposition 1A that safeguards revenues for local governments was suspended by the Governor and approved by the Legislatures. The suspension gave the State the ability to borrow from local agencies 8% of each agency's property taxes. The State legislation then approved a bond measure essentially making local government whole; however, it increased the State's overall debt. Voters approved Proposition 22 in November 2009 that closed the loop holes of Proposition 1A and no further State borrowing or diverting is expected. Fearfully, the State's deficit for Fiscal Year 2010-2011 is \$20 billion and growing.

The local government was not so fortunate on with stopping the State raid on redevelopment moneys. The State was able to take nearly 50% of the current year's tax increment monies from redevelopment agencies state-wide. The SERAF as it was called cost Sierra Madre's CRA \$542,513. Local government represented by Statewide Community Redevelopment Agency continues to battle it out with the State legislation in the courts; until then, the CRA will pay another 15% annually to the State from its tax increment revenues. Adding further uncertainty is Governor's Brown's proposal to eliminate of California Redevelopment Agencies. The impact on the City would be either additional expenses transferred to the General Fund or elimination of services.



**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Sierra Madre's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at the City of Sierra Madre, 232 West Sierra Madre Boulevard, Sierra Madre, California, 91024.

# CITY OF SIERRA MADRE, CALIFORNIA

## Statement of Net Assets

June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 11,480,169	\$ 5,366,655	\$ 16,846,824
Cash and investments with fiscal agents	1,626,249	1,630,119	3,256,368
Receivables:			
Taxes	736,954	-	736,954
Accounts	249,958	251,122	501,080
Interest	20,177	-	20,177
Grants	535,666	-	535,666
Prepaid expenses	560,853	5,895	566,748
Total current assets	<u>15,210,026</u>	<u>7,253,791</u>	<u>22,463,817</u>
Noncurrent assets:			
Deferred charges	-	340,843	340,843
Land held for resale	1,682,998	-	1,682,998
Capital assets:			
Non-depreciable	163,482,160	1,483,250	164,965,410
Depreciable, net	24,322,531	26,587,917	50,910,448
Total capital assets	<u>187,804,691</u>	<u>28,071,167</u>	<u>215,875,858</u>
Total assets	<u>\$ 204,697,715</u>	<u>\$ 35,665,801</u>	<u>\$ 240,363,516</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 1,033,759	\$ 139,785	\$ 1,173,544
Accrued payroll and related liabilities	207,407	54,419	261,826
Interest payable	49,375	171,823	221,198
Deposits and retentions	12,000	270,771	282,771
Deferred revenue	-	23,196	23,196
Compensated absences	526,116	112,387	638,503
Claims payable	197,000	-	197,000
Current maturities of capital lease obligations	99,061	35,028	134,089
Bonds payable - due within one year	245,000	335,000	580,000
Total current liabilities	<u>2,369,718</u>	<u>1,142,409</u>	<u>3,512,127</u>
Noncurrent liabilities:			
Loan payable	-	1,456,875	1,456,875
Capital lease payable	1,125,613	398,012	1,523,625
Bonds payable - due in more than one year	2,840,000	10,105,000	12,945,000
Total noncurrent liabilities	<u>3,965,613</u>	<u>11,959,887</u>	<u>15,925,500</u>
Total liabilities	<u>6,335,331</u>	<u>13,102,296</u>	<u>19,437,627</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	187,804,691	15,741,252	203,545,943
Restricted for:			
Debt service	2,528,670	-	2,528,670
Low and moderate housing	2,152,925	-	2,152,925
Total restricted	<u>4,681,595</u>	<u>-</u>	<u>4,681,595</u>
Unrestricted	5,876,098	6,822,253	12,698,351
Total net assets	<u>\$ 198,362,384</u>	<u>\$ 22,563,505</u>	<u>\$ 220,925,889</u>

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, 2010**

	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	\$ 7,779,996	\$ 4,162,238	\$ 163,681	\$ 37,848	\$ 4,363,767	\$ (3,416,229)	\$ -	\$ (3,416,229)
Public safety	4,380,352	521,545	409,868	-	931,413	(3,448,939)	-	(3,448,939)
Public works	884,015	859	12,549	-	13,408	(870,607)	-	(870,607)
Development	375,842	325,467	-	-	325,467	(50,375)	-	(50,375)
Culture and recreation	1,444,584	55,313	171,770	10,380	237,463	(1,207,121)	-	(1,207,121)
Interest expense	156,125	-	-	-	-	(156,125)	-	(156,125)
Total governmental activities	15,020,914	5,065,422	757,868	48,228	5,871,518	(9,149,396)	-	(9,149,396)
Business-type activities:								
Water	3,399,076	2,920,048	-	248,500	3,168,548	-	(230,528)	(230,528)
Sewer	856,702	719,713	-	-	719,713	-	(136,989)	(136,989)
Recreation services	493,509	342,448	-	-	342,448	-	(151,061)	(151,061)
Strike team	89,909	75,131	-	-	75,131	-	(14,778)	(14,778)
Filming	47,529	115,732	-	-	115,732	-	68,203	68,203
Total business-type activities	4,886,726	4,173,073	-	248,500	4,421,573	-	(465,153)	(465,153)
Total primary government	\$ 19,907,640	\$ 9,238,495	\$ 757,868	\$ 296,728	\$ 10,293,091	(9,149,396)	(465,153)	(9,614,549)
General revenues and transfers:								
Taxes						8,905,659	-	8,905,659
Investment income						231,953	38,667	270,620
Capital contributions						369,848	-	369,848
Transfers						(114,988)	114,988	-
Total general revenues and transfers						9,392,472	153,655	9,546,127
Change in net assets						243,076	(311,498)	(68,422)
Net assets - beginning of year, as restated						198,119,308	22,875,003	220,994,311
Net assets - end of year						\$ 198,362,384	\$ 22,563,505	\$220,925,889

See Accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Balance Sheet**

**Governmental Funds**

**June 30, 2010**

	Major Funds							Total Governmental Funds
	Capital Projects Funds				Special Revenue Funds			
	General	CRA Debt Service	CRA Non- Housing	CRA Low & Moderate Housing	FMAG - Santa Anita Fire Grant	Grant Funds	Other Governmental Funds	
<b>ASSETS</b>								
Cash and investments	\$ 3,909,668	\$2,084,801	\$ -	\$ 470,949	\$ 349,710	\$ 23,807	\$ 1,505,861	\$ 8,344,796
Cash and investments with fiscal agents	-	401,575	-	-	-	-	865,325	1,266,900
Receivables:								
Taxes	654,363	42,294	-	-	-	599	35,401	732,657
Accounts	211,873	-	4,867	-	25,000	7,548	146	249,434
Interest	14,748	-	3,203	2,226	-	-	-	20,177
Grants	7,923	-	-	-	43,250	423,457	61,036	535,666
Due from other funds	676,915	-	-	4,046	-	-	-	680,961
Prepaid expenses	332	-	-	-	-	-	-	332
Land held for resale	-	-	-	1,682,998	-	-	-	1,682,998
<b>Total assets</b>	<b>\$ 5,475,822</b>	<b>\$2,528,670</b>	<b>\$ 8,070</b>	<b>\$ 2,160,219</b>	<b>\$ 417,960</b>	<b>\$ 455,411</b>	<b>\$ 2,467,769</b>	<b>\$ 13,513,921</b>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Accounts payable	\$ 183,118	\$ -	\$ 4,223	\$ 2,465	\$ 336,613	\$ 13,548	\$ 240,957	\$ 780,924
Accrued payroll and related liabilities	144,639	-	4,829	4,829	-	-	27,700	181,997
Due to other funds	-	-	4,046	-	-	676,915	-	680,961
Deposits and retentions	12,000	-	-	-	-	-	-	12,000
<b>Total liabilities</b>	<b>339,757</b>	<b>-</b>	<b>13,098</b>	<b>7,294</b>	<b>336,613</b>	<b>690,463</b>	<b>268,657</b>	<b>1,655,882</b>
Fund balances:								
Reserved for:								
Debt service	-	2,528,670	-	-	-	-	-	2,528,670
Low and moderate housing	-	-	-	2,152,925	-	-	-	2,152,925
Unreserved, undesignated	4,246,065	-	(5,028)	-	81,348	(235,052)	2,199,111	6,286,444
Unreserved, designated for:								
Housing/general plan update	200,000	-	-	-	-	-	-	200,000
Emergency contingency (Santa Anita fire/mudslide costs)	290,000	-	-	-	-	-	-	290,000
Public safety increases	400,000	-	-	-	-	-	-	400,000
<b>Total fund balances</b>	<b>5,136,065</b>	<b>2,528,670</b>	<b>(5,028)</b>	<b>2,152,925</b>	<b>81,347</b>	<b>(235,052)</b>	<b>2,199,112</b>	<b>11,858,039</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,475,822</b>	<b>\$2,528,670</b>	<b>\$ 8,070</b>	<b>\$ 2,160,219</b>	<b>\$ 417,960</b>	<b>\$ 455,411</b>	<b>\$ 2,467,769</b>	<b>\$ 13,513,921</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, 2010

<u>Total Fund Balances Governmental Funds</u>	\$ 11,858,039
<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.	190,533,321
Governmental capital outlay expenses were capitalized and recorded as fixed assets in the Statement of Net Assets.	270,108
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.	(49,375)
Bonds payable were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet:	(3,085,000)
Capital leases payable were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet:	(725,402)
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>(439,307)</u>
<u>Statement of Net Assets</u>	<u>\$ 198,362,384</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, 2010

	Major Funds							Total Governmental Funds
	Capital Projects Funds				Special Revenue Funds			
	General	CRA Debt Service	CRA Non- Housing	CRA Low & Moderate Housing	FMAG - Santa Anita Fire Grant	Grant Funds	Other Governmental Funds	
<b>Revenues:</b>								
Taxes	\$ 7,074,910	\$ 1,414,596	\$ -	\$ -	\$ -	\$ -	\$ 416,153	\$ 8,905,659
Charges for services	103,819	-	-	-	-	-	554,990	658,809
Intergovernmental	4,888	-	-	-	148,176	232,786	372,019	757,869
Licenses and permits	586,578	-	-	-	-	-	267,913	854,491
Fines and forfeitures	189,899	-	-	-	-	-	-	189,899
Use of money and property	80,984	-	11,415	-	1,987	65,271	10,735	170,392
Miscellaneous	7,034	-	-	-	-	-	146,732	153,766
Total revenues	<u>8,048,112</u>	<u>1,414,596</u>	<u>11,415</u>	<u>-</u>	<u>150,163</u>	<u>298,057</u>	<u>1,768,542</u>	<u>11,690,885</u>
<b>Expenditures:</b>								
Current:								
General government	1,336,412	549,081	528,912	158,175	-	2,758	515,870	3,091,208
Public safety	3,527,099	-	-	-	50,324	72,420	730,509	4,380,352
Public works	305,348	-	-	-	-	17,197	561,471	884,016
Development	-	-	-	-	-	-	375,842	375,842
Culture and recreation	1,055,887	-	-	-	-	10,950	377,746	1,444,583
Debt service:								
Principal	-	235,000	-	-	-	-	-	235,000
Interest	-	160,125	-	-	-	-	-	160,125
Capital outlay	16,725	-	-	-	22,212	103,011	432,116	574,064
Total expenditures	<u>6,241,471</u>	<u>944,206</u>	<u>528,912</u>	<u>158,175</u>	<u>72,536</u>	<u>206,336</u>	<u>2,993,554</u>	<u>11,145,190</u>
Excess (deficiency) of revenues over (under) expenditures	1,806,641	470,390	(517,497)	(158,175)	77,627	91,721	(1,225,012)	545,695
<b>Other financing sources (uses):</b>								
Equipment financing lease	-	-	-	-	-	-	725,402	725,402
Transfers in	103,548	-	104,502	282,919	-	166,291	1,293,219	1,950,479
Transfer out	(718,373)	(387,421)	-	-	-	(68,887)	(228,995)	(1,403,676)
Total other financing sources (uses)	<u>(614,825)</u>	<u>(387,421)</u>	<u>104,502</u>	<u>282,919</u>	<u>-</u>	<u>97,404</u>	<u>1,789,626</u>	<u>1,272,205</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,191,816	82,969	(412,995)	124,744	77,627	189,125	564,614	1,817,900
<b>Fund balances:</b>								
Beginning of year, as restated	<u>3,944,249</u>	<u>2,445,701</u>	<u>407,967</u>	<u>2,028,181</u>	<u>3,720</u>	<u>(424,177)</u>	<u>1,634,498</u>	<u>10,040,139</u>
End of year	<u>\$ 5,136,065</u>	<u>\$ 2,528,670</u>	<u>\$ (5,028)</u>	<u>\$2,152,925</u>	<u>\$ 81,347</u>	<u>\$ (235,052)</u>	<u>\$ 2,199,112</u>	<u>\$ 11,858,039</u>

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, 2010

<u>Net Change in Fund Balances - Total Governmental Funds</u>	\$ 1,817,900
<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, depreciation, facilities management and water. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	(1,384,556)
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 governmental funds. The reconciling amount is the change in accrued interest from the prior year.	4,000
Capital outlay is recorded as an expenditure in the Governmental Funds Balance Sheet; however certain expenses are capitalized in the Statement of Net Assets.	270,108
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	235,000
Proceeds from equipment financing lease is an "Other financing source" in the Governmental Funds Balance Sheet; however it is a long-term liability in the Statement of Net Assets.	(725,402)
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>26,026</u>
<u>Change in Net Assets of Governmental Activities</u>	<u>\$ 243,076</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Net Assets**

**Proprietary Funds**

**June 30, 2010**

	Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Other Enterprise Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 3,307,300	\$ 1,927,557	\$ 131,798	\$ 5,366,655	\$ 3,135,373
Cash and investments with fiscal agents	1,197,079	433,040	-	1,630,119	359,349
Receivables:					
Taxes	-	-	-	-	4,297
Accounts	209,703	29,256	12,163	251,122	524
Prepaid expenses	5,288	-	607	5,895	560,521
Total current assets	<u>4,719,370</u>	<u>2,389,853</u>	<u>144,568</u>	<u>7,253,791</u>	<u>4,060,064</u>
Noncurrent assets:					
Deferred charges	340,843	-	-	340,843	-
Capital assets					
Non-depreciable	1,483,250	-	-	1,483,250	163,482,160
Depreciable, net	22,603,843	3,984,074	-	26,587,917	24,052,423
Total capital assets	<u>24,087,093</u>	<u>3,984,074</u>	<u>-</u>	<u>28,071,167</u>	<u>187,534,583</u>
Total assets	<u>\$ 29,147,306</u>	<u>\$ 6,373,927</u>	<u>\$ 144,568</u>	<u>\$ 35,665,801</u>	<u>\$ 191,594,647</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 101,984	\$ 16,669	\$ 21,132	\$ 139,785	\$ 252,835
Accrued payroll and related liabilities	20,666	13,474	20,279	54,419	25,410
Interest payable	171,823	-	-	171,823	-
Deposits and retentions	270,771	-	-	270,771	-
Deferred revenues	-	-	23,196	23,196	-
Compensated absences	64,497	39,923	7,967	112,387	86,809
Claims payable	-	-	-	-	197,000
Current maturities of capital lease obligations	-	35,028	-	35,028	-
Bonds payable - due within one year	335,000	-	-	335,000	-
Total current liabilities	<u>964,741</u>	<u>105,094</u>	<u>72,574</u>	<u>1,142,409</u>	<u>562,054</u>
Noncurrent liabilities:					
Loan payable	1,456,875	-	-	1,456,875	-
Capital lease payable	-	398,012	-	398,012	499,272
Bonds payable - due in more than one year	10,105,000	-	-	10,105,000	-
Total noncurrent liabilities	<u>11,561,875</u>	<u>398,012</u>	<u>-</u>	<u>11,959,887</u>	<u>499,272</u>
Total liabilities	<u>12,526,616</u>	<u>503,106</u>	<u>72,574</u>	<u>13,102,296</u>	<u>1,061,326</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	12,190,218	3,551,034	-	15,741,252	187,035,311
Unrestricted	4,430,472	2,319,787	71,994	6,822,253	3,498,010
Total net assets	<u>\$ 16,620,690</u>	<u>\$ 5,870,821</u>	<u>\$ 71,994</u>	<u>\$ 22,563,505</u>	<u>\$ 190,533,321</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, 2010**

	Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Other Enterprise Funds	Total	
Operating revenues:					
Charges for services	\$ 2,909,907	\$ 719,713	\$ 433,993	\$ 4,063,613	\$ 3,217,374
Licenses and permits	-	-	88,331	88,331	-
Miscellaneous	10,141	-	10,988	21,129	1,461
Total operating revenues	<u>2,920,048</u>	<u>719,713</u>	<u>533,312</u>	<u>4,173,073</u>	<u>3,218,835</u>
Operating expenses:					
Cost of sales and services	1,585,533	-	575,360	2,160,893	1,008
General and administrative	583,400	-	28,276	611,676	3,199,029
Public works	-	706,094	-	706,094	-
Depreciation	550,420	147,873	-	698,293	1,210,821
Total operating expenses	<u>2,719,353</u>	<u>853,967</u>	<u>603,636</u>	<u>4,176,956</u>	<u>4,410,858</u>
Operating income (loss)	200,695	(134,254)	(70,324)	(3,883)	(1,192,023)
Non-operating revenues (expenses):					
Federal grants	248,500	-	-	248,500	37,848
Investment income	26,514	11,108	1,045	38,667	61,561
Capital improvements	(153,336)	(2,735)	(27,312)	(183,383)	-
Interest expense	(526,387)	-	-	(526,387)	-
Total non-operating revenues (expenses)	<u>(404,709)</u>	<u>8,373</u>	<u>(26,267)</u>	<u>(422,603)</u>	<u>99,409</u>
Income (loss) before transfers	(204,014)	(125,881)	(96,591)	(426,486)	(1,092,614)
Capital contributions	-	-	-	-	369,848
Transfers in	-	6,900	105,002	111,902	1,100,000
Transfers out	(4,450)	(7,242)	14,778	3,086	(1,761,790)
Change in net assets	(208,464)	(126,223)	23,189	(311,498)	(1,384,556)
Net assets:					
Beginning of year, as restated	<u>16,829,154</u>	<u>5,997,044</u>	<u>48,805</u>	<u>22,875,003</u>	<u>191,917,877</u>
End of year	<u>\$ 16,620,690</u>	<u>\$ 5,870,821</u>	<u>\$ 71,994</u>	<u>\$ 22,563,505</u>	<u>\$ 190,533,321</u>

See Accompanying Notes to Basic Financial Statements.

# CITY OF SIERRA MADRE, CALIFORNIA

## Statement of Cash Flows

### Proprietary Funds

Year Ended June 30, 2010

	Enterprise Funds	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 4,358,850	\$ 3,217,048
Payments to suppliers	(2,120,172)	(30,044)
Payments to employees	(640,671)	(3,198,323)
Other payments	(726,714)	(313,348)
Prior period adjustments	9,943	36,731
Net cash provided by (used by) operating activities	881,236	(287,936)
<b>Cash flows from non-capital financing activities:</b>		
Operating subsidies and transfers to other funds	114,988	(661,790)
Net cash provided by (used by) financing activities	114,988	(661,790)
<b>Cash flows from capital and related financing activities:</b>		
Receipts from federal grants	248,500	37,848
Capital improvements	(183,383)	-
Capital contributions	-	369,848
Purchases of capital assets	-	(995,910)
Capital equipment lease agreement	433,040	499,272
Bond ammortization costs	(25,620)	-
Principal paid on capital debt	(320,000)	-
Interest paid on capital debt	(526,387)	-
Net cash (used by) capital and related financing activities	(373,850)	(88,942)
<b>Cash flows from investing activities:</b>		
Interest and dividends	38,667	61,561
Net cash provided by investing activities	38,667	61,561
Net increase (decrease) in cash flows	661,041	(977,107)
Cash and cash equivalents - beginning of the year	6,335,733	4,471,829
Cash and cash equivalents - end of the year	\$ 6,996,774	\$ 3,494,722
<b>Reconciliation of operating (loss) to net cash provided by (used by) operating activities:</b>		
Operating (loss) provided by operating activities:	\$ (3,883)	\$ (1,192,023)
Depreciation and ammortization	698,293	1,210,821
Prior period adjustments for interest allocation	9,943	36,731
Change in assets and liabilities:		
Receivables, net	206,906	(326)
Prepaid expenses	(5,607)	(314,809)
Deferred charges	25,620	-
Accounts payable	40,720	(29,036)
Accrued payroll and related liabilities	13,865	4,420
Interest payable	(5,459)	-
Deposits and retentions	(41,563)	-
Deferred revenues	(14,740)	-
Compensated absences	(42,859)	(3,714)
Net cash provided by operating activities	\$ 881,236	\$ (287,936)

See accompanying Notes to Basic Financial Statements.

**CITY OF SIERRA MADRE, CALIFORNIA**

**Statement of Net Assets**

**Fiduciary Funds**

**Year Ended June 30, 2010**

<b>ASSETS</b>	<u><b>Agency Funds</b></u>
Cash and investments	\$ 462,566
Cash and investments with fiscal agents	77,011
Accounts receivable	<u>3,016</u>
<b>Total assets</b>	<u><u>\$ 542,593</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 108,962
Deposits and retentions	<u>433,631</u>
<b>Total liabilities</b>	<u><u>\$ 542,593</u></u>

See Accompanying Notes to Basic Financial Statements.

# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements

June 30, 2010

## 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, 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  
June 30, 2010  
(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.

## **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.

# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

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 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.

# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

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.

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.

# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

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 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.



# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (an amendment of GASB No. 3), certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Inherent Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

### **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. 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 the Basic Financial Statements  
June 30, 2010  
(Continued)

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

### G. Capital Assets

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, 2010 in its statement of net assets.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. The City's capitalization policy is \$5,000 and above for fixed assets; \$10,000 and above for building improvements; \$20,000 and above for buildings; and \$50,000 and above for infrastructure assets. Capital assets are depreciated on a straight-line basis over their estimated useful lives 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

### H. 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 the Basic Financial Statements  
June 30, 2010  
(Continued)

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

### I. 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.

### J. 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 interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

### K. 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.

### L. 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.

# CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

### 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.

### **M. 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.

## 2. CASH AND INVESTMENTS

Cash and investments as reported in the accompanying balance sheet as of June 30, 2010 are as follows:

Cash and Investments:	
Government-Wide	\$ 16,846,824
Fiduciary	462,566
Cash and Investments Held by Fiscal Agent:	
Government-Wide	3,256,368
Fiduciary	77,011
Total	<u>\$ 20,642,769</u>

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to the Basic Financial Statements

June 30, 2010

(Continued)

### 2. CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2010 consisted of the following:

Agency Pooled Amounts	\$ 2,833,267
Deposits with Fiscal Agents	3,256,368
Investments with LAIF	14,553,134
Total	<u>\$ 20,642,769</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 \$2,833,267.

#### 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, 2010, the City's balance was \$14,553,134.

#### 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.**

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to the Basic Financial Statements

June 30, 2010

(Continued)

### 2. CASH AND INVESTMENTS (continued)

<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.

#### 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.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to the Basic Financial Statements

June 30, 2010

(Continued)

### 2. CASH AND INVESTMENTS (continued)

#### 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.

### 3. INTERFUND TRANSACTIONS

At June 30, 2010, the City had the following transfers in/out which arise in the normal course of operations:

<u>Transfers Out</u>	<u>Transfers In</u>
	<u>Business-Type</u>
	<u>Activities</u>
Governmental Activities	\$ 114,988

### 4. FUND BALANCE DEFICITS

The following is a listing of the fund balance deficits at June 30, 2010:

Governmental Funds:	
CRA Non Housing	(5,028)
Open Space	(480,894)
Proposition A	(3,653)
Street Improvement Project	(48,978)
Bikeway Sidewalk	(312)
Enterprise Funds:	
SGVWD Grant	(5,254)

A. CRA Non Housing has a negative fund balance of (5,028), which will be offset by a transfer from the CRA Debt Service Fund in the future.

B. Open Space Fund has a negative fund balance of (480,894) due to the outstanding mortgage loan to Sierra Madre Nursery.

C. Proposition A Fund has a negative fund balance of (3,653), which will be offset by future revenues.

D. Street Improvement Project Fund has a negative fund balance of (48,978) which will be offset by a transfer from Measure R in fiscal year 2010-2011.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

E. Street Improvement Project Fund has a negative fund balance of (48,978) which will be offset by a transfer from Measure R in fiscal year 2010-2011.

F. Bikeway Sidewalk Fund has a negative fund balance of (312), which will be offset by future revenues.

G. SGVWD Grant Fund has a negative fund balance of (5,254), which will be offset by a transfer from the Water Fund in the future.

**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, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<i>Water Revenue Parity Bonds, Series 2003</i>	\$ 366,463	\$ -	\$ (25,620)	\$ 340,843
Total	\$ 366,463	\$ -	\$ (25,620)	\$ 340,843

**6. INFRASTRUCTURE AND FIXED ASSETS**

At June 30, 2010 the City's capital assets consisted of the following:

	Governmental	Enterprise	Total
Non-Depreciable assets:			
Land	\$ 162,275,945	\$ 1,483,250	\$ 163,759,195
Trees	1,206,215	-	1,206,215
Total non-depreciable assets	<u>163,482,160</u>	<u>1,483,250</u>	<u>164,965,410</u>
Depreciable assets:			
Structures and improvements	11,297,991	821,290	12,119,281
Machinery and equipment	3,108,551	7,964,961	11,073,512
Infrastructure	23,057,000	33,620,379	56,677,379
Total depreciable assets	<u>37,463,542</u>	<u>42,406,630</u>	<u>79,870,172</u>
Total capital assets	<u>200,945,702</u>	<u>43,889,880</u>	<u>244,835,582</u>
Less accumulated depreciation	<u>13,141,011</u>	<u>15,818,713</u>	<u>28,959,724</u>
Total net capital assets	<u>\$ 187,804,691</u>	<u>\$ 28,071,167</u>	<u>\$ 215,875,858</u>



**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Non-Depreciable assets:				
Land	\$ 162,275,945	\$ -	\$ -	\$ 162,275,945
Trees	1,206,215	-	-	1,206,215
Total non-depreciable assets	<u>163,482,160</u>	<u>-</u>	<u>-</u>	<u>163,482,160</u>
Depreciable assets:				
Structures and improvements	11,297,991	-	-	11,297,991
Machinery and equipment	2,229,167	1,266,018	(386,634)	3,108,551
Infrastructure	23,057,000	-	-	23,057,000
Total depreciable assets	<u>36,584,158</u>	<u>1,266,018</u>	<u>(386,634)</u>	<u>37,463,542</u>
Total capital assets	<u>200,066,318</u>	<u>1,266,018</u>	<u>(386,634)</u>	<u>200,945,702</u>
Less accumulated depreciation	<u>12,316,824</u>	<u>1,210,821</u>	<u>(386,634)</u>	<u>13,141,011</u>
Total net capital assets	<u>\$ 187,749,494</u>	<u>\$ 55,197</u>	<u>\$ -</u>	<u>\$ 187,804,691</u>

The following is a summary of changes in the capital assets for business-type activities during the fiscal year:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
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	-	-	821,290
Machinery and equipment	8,154,747	-	(189,786)	7,964,961
Infrastructure	33,620,379	-	-	33,620,379
Total depreciable assets	<u>42,596,416</u>	<u>-</u>	<u>(189,786)</u>	<u>42,406,630</u>
Total capital assets	<u>44,079,666</u>	<u>-</u>	<u>(189,786)</u>	<u>43,889,880</u>
Less accumulated depreciation	<u>15,335,826</u>	<u>672,673</u>	<u>(189,786)</u>	<u>15,818,713</u>
Total net capital assets	<u>\$ 28,743,840</u>	<u>\$ (672,673)</u>	<u>\$ -</u>	<u>\$ 28,071,167</u>

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

**7. LONG-TERM DEBT**

**A. Governmental Activities:**

The following is a summary of the long-term debt transaction for the City of Sierra Madre for the year ended June 30, 2010:

	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2010</u>
<i>Tax Increment Revenue Refunding Bond Series 1998A</i>	\$ 3,320,000	\$ -	\$ (235,000)	\$ 3,085,000
<i>Capital Lease</i>	<u>-</u>	<u>1,224,674</u>	<u>-</u>	<u>1,224,674</u>
Total	<u>\$ 3,320,000</u>	<u>\$ 1,224,674</u>	<u>\$ (235,000)</u>	<u>\$ 4,309,674</u>

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

In May 1998, the Sierra Madre Financing Authority issued the Tax Increment Revenue Refunding Bonds, Series 1998A 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. These bonds 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 \$3,085,000 at June 30, 2010.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

Annual debt service requirements on these bonds are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
2011	245,000	148,125	393,125
2012	255,000	135,625	390,625
2013	270,000	122,500	392,500
2014	285,000	108,625	393,625
2015	300,000	94,000	394,000
2016-2020	1,730,000	224,250	1,954,250
Total	<u>\$ 3,085,000</u>	<u>\$ 833,125</u>	<u>\$ 3,918,125</u>

*Capital Lease*

In January 2010, the City entered into a capital lease agreement to fund certain current and future major equipment purchases in the general and fleet funds. The outstanding balance of the capital lease payable was \$1,224,674 at June 30, 2010. Future minimum payments due are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
2011	99,061	56,702	155,763
2012	103,648	52,116	155,764
2013	108,447	47,317	155,764
2014	113,468	42,296	155,764
2015	118,721	37,042	155,763
2016-2020	681,329	97,490	778,819
Total	<u>\$ 1,224,674</u>	<u>\$ 332,963</u>	<u>\$ 1,557,637</u>

**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, 2010.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

	<u>Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding July 1, 2010</u>
<i>Water Revenue Refunding Bonds, Series 1998A</i>	\$ 4,010,000	\$ -	\$ (320,000)	\$ 3,690,000
<i>Water Revenue Parity Bonds, Series 2003</i>	6,750,000	-	-	6,750,000
<i>Loan Payable to San Gabriel Valley Municipal Water District</i>	1,456,875	-	-	1,456,875
<i>Capital Lease</i>	-	433,040	-	433,040
Total	<u>\$ 12,216,875</u>	<u>\$ 433,040</u>	<u>\$ (320,000)</u>	<u>\$ 12,329,915</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. These 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 \$3,690,000 at June 30, 2010. 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>
2011	335,000	176,125	511,125	
2012	350,000	159,000	509,000	
2013	370,000	141,000	511,000	
2014	390,000	122,000	512,000	
2015	405,000	102,125	507,125	
2016-2019	1,840,000	189,750	2,029,750	
Total	<u>\$ 3,690,000</u>	<u>\$ 890,000</u>	<u>\$ 4,580,000</u>	

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(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. These 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, 2010. Annual payments on these bonds are as follows:

<b>Year Ending</b>				
<b>June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	
2011	-	339,345	339,345	
2012	-	339,345	339,345	
2013	-	339,345	339,345	
2014	-	339,345	339,345	
2015	-	339,345	339,345	
2016-2020	310,000	1,688,975	1,998,975	
2021-2025	1,800,000	1,403,225	3,203,225	
2026-2030	2,315,000	890,935	3,205,935	
2031-2034	2,325,000	242,753	2,567,753	
Total	<u>\$ 6,750,000</u>	<u>\$ 5,922,613</u>	<u>\$ 12,672,613</u>	

*Loan Payable to San Gabriel Valley Municipal Water District - \$1,456,875:*

The City has identified equipment needed to help assure a reliable water supply, by replacing its Miramonte Reservoir and Booster Station (“Reservoir Project”). Therefore, the City entered into a loan agreement with the San Gabriel Valley Municipal Water District to fund a portion of the reservoir cost in the amount of \$1,456,875. Proceeds of the loan are disbursed to the City during the duration of the Reservoir Project on a reimbursement basis. Payments are due in annual installments of \$145,688 for ten years. Notice of Completion was March 15, 2009 and was approved by City Council on April 28, 2009. The SGVMW has extended the first payment terms until July 1, 2011, pending the approval of new water rates.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to the Basic Financial Statements

June 30, 2010

(Continued)

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

#### Capital Lease

In January 2010, the City entered into a capital lease agreement to fund certain current and future major equipment purchases in the sewer fund. The balance of the capital lease payable was \$433,040 at June 30, 2010. Future minimum payments due are as follows:

<b>Year Ending</b>			
<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	35,028	20,050	55,078
2012	36,649	18,428	55,077
2013	38,346	16,731	55,077
2014	40,122	14,956	55,078
2015	41,979	13,098	55,077
2016-2020	240,916	34,472	275,388
Total	<u>\$ 433,040</u>	<u>\$ 117,735</u>	<u>\$ 550,775</u>

### 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 122 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 lines of coverage. The California JPIA 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). 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 allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses

## CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation: The City 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). 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. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) 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; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

## CITY OF SIERRA MADRE, CALIFORNIA

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

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

#### C. Purchased Insurance

**Environmental Insurance:** The City 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, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

**Property Insurance:** The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City currently has all-risk property insurance protection in the amount of \$54,527,666. 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.

**Earthquake and Flood Insurance:** The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City property currently has earthquake protection in the amount of \$35,974,111. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

**Special Event Tenant User Liability Insurance:** The City 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 according to a schedule. The City 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.



**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements

June 30, 2010

(Continued)

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

Year Ended June 30	Claims Payable July 1	Claims and Changes in Estimates	Payments and Decreases in Estimates	Claims Payable June 30
2008	\$ 197,000	\$ -	\$ -	\$ 197,000
2009	197,000	-	-	197,000
2010	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, 2010 was \$1,394,197 and in accordance with GASB 32 is not recorded in the books of the City.

**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

The City contributes 8% of employees' covered salary except for safety employees for whom the City contributes 9% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 15.778% of annual covered payroll for regular employees and 28.491% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

**10. RETIREMENT PLAN (continued)**

Annual Pension Cost

For 2010, the City's annual pension cost of \$1,240,733 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases 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).

Three-Year Trend Information for PERS (City)

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 957,809	100%	-
2009	1,137,756	100%	-
2010	1,240,733	100%	-

*Miscellaneous*

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]
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%
2008	1,337,708	1,537,910	200,202	87.0%	333,308	60.1%

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

**10. RETIREMENT PLAN (continued)**

*Safety*

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]
2006	\$ 1,252,059	\$ 1,473,285	\$ 221,226	85.0%	\$ 177,089	124.9%
2007	1,422,143	1,648,160	226,017	86.3%	200,537	112.7%
2008	1,517,610	1,755,559	237,949	86.5%	210,591	113.0%

**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 not complied with California State Controller's requirements by not filing its Community Redevelopment Agency audited financial statements in a timely manner. Management is working to prepare and file the audited financial statements to fulfill such regulatory requirements.

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

**12. OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS**

**Plan Description**

The City provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan administered by the Public Agency Retirement Services (PARS). These benefits are provided per contract between the City and the employee associations. Separate financial statements are not available for the plan.

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City has not established an irrevocable OPEB trust as of June 30, 2010 and prefunding for that year is unlikely. Thus, results for the fiscal year ending June 30, 2010 are presented based on a pay-as-you-go funding policy.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the annual normal cost and amortization of unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows 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:

Annual required contribution (ARC)	\$ 168,070
Adjustment to ARC	<u>-</u>
Annual OPEB cost	168,070
Contributions made	<u>(54,500)</u>
Increase in net OPEB obligation	113,570
Net OPEB obligation—beginning of year	<u>-</u>
Net OPEB obligation—end of year	<u>\$ 113,570</u>

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

**12. OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS (continued)**

Since this fiscal year is the transition year, information on the OPEB cost and percentage of Annual OPEB cost contributed is only available for the current fiscal year, as presented below:

Fiscal Year End	Annual OPEB Cost	Actuarial Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	\$ -	\$ -	n/a	\$ -
6/30/2009	-	-	n/a	-
6/30/2010	168,070	54,500	32.43%	113,570

**Funded Status and Funding Progress**

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Amounts determined regarding the funded status of the plan and the annual required contributions of the City 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 below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Interest Rate
Actual	1/1/2010	\$ -	\$1,456,106	0%	\$ 4,641,533	31.37%	4.5%

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to the Basic Financial Statements

June 30, 2010

(Continued)

### 12. OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS (continued)

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 January 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.5% investment rate of return for pay-as-you-go and 7.5% for prefunding, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 10.9% beginning January 1, 2010, and reduced by decrements to an ultimate rate of 4.5% after eight years. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2010 was twenty years. The number of active participants is 78.

### 13. NET ASSETS RESTATEMENT

The City made several adjustments to fund balances subsequent to closing the June 30, 2009 books, therefore resulting in fund balance restatements. The following table provides a reconciliation of the fund balances as of June 30, 2009, as previously reported, to fund balances as of June 30, 2009, as restated.

#### Government-Wide Financial Statements:

Fund balances as of June 30, 2009, as previously reported	\$ 220,968,725
Additions:	<u>25,586</u>
Fund balances as of June 30, 2009, as restated	<u><u>\$ 220,994,311</u></u>

#### Governmental Fund Financial Statements:

Fund balances as of June 30, 2009, as previously reported	\$ 10,061,227
Reductions:	<u>(21,088)</u>
Fund balances as of June 30, 2009, as restated	<u><u>\$ 10,040,139</u></u>

**CITY OF SIERRA MADRE, CALIFORNIA**

Notes to the Basic Financial Statements  
June 30, 2010  
(Continued)

**13. NET ASSETS RESTATEMENT (continued)**

Proprietary Fund Financial Statements- *Enterprise*:

Fund balances as of June 30, 2009, as previously reported	\$ 22,865,060
Reductions:	<u>9,943</u>
Fund balances as of June 30, 2009, as restated	<u>\$ 22,875,003</u>

Proprietary Fund Financial Statements- *Internal Service*:

Fund balances as of June 30, 2009, as previously reported	\$ 191,881,146
Additions:	<u>36,731</u>
Fund balances as of June 30, 2009, as restated	<u>\$ 191,917,877</u>

**14. SUBSEQUENT EVENTS**

**Evaluation of Subsequent Events**

The City has evaluated subsequent events through January 5, 2011, the date which the financial statements were available to be issued.

## 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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenues:				
Taxes	\$ 5,826,556	\$ 6,146,081	\$ 7,074,910	\$ 928,829
Charges for services	107,600	107,600	103,819	(3,781)
Intergovernmental	22,500	30,500	4,888	(25,612)
Licenses and permits	368,997	627,697	586,578	(41,119)
Fines and forfeitures	102,173	102,173	189,899	87,726
Use of money and property	101,530	122,400	80,984	(41,416)
Other	17,900	17,900	7,034	(10,866)
Total revenues	6,547,256	7,154,351	8,048,112	893,761
Expenditures:				
Current:				
General government	1,272,880	1,272,880	1,336,412	(63,532)
Public safety	3,834,728	3,834,728	3,527,099	307,629
Public works	309,222	309,222	305,348	3,874
Recreation, environmental and culture	1,003,903	1,003,903	1,055,887	(51,984)
Capital outlay	24,000	24,000	16,725	7,275
Total expenditures	6,444,733	6,444,733	6,241,471	203,262
Excess (deficiency) of revenues over (under) expenditures	102,523	709,618	1,806,641	1,097,023
Other financing sources (uses):				
Transfers in	-	-	103,548	103,548
Transfer out	(690,749)	(690,749)	(718,373)	(27,624)
Total other financing sources (uses)	(690,749)	(690,749)	(614,825)	75,924
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(588,226)	18,869	1,191,816	1,172,947
Fund balances:				
Beginning of year	3,944,249	3,944,249	3,944,249	-
End of year	\$ 3,356,023	\$ 3,963,118	\$ 5,136,065	\$ 1,172,947

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,466,842	\$ 1,466,842	\$ 1,414,596	\$ (52,246)
Total revenues	1,466,842	1,466,842	1,414,596	(52,246)
Expenditures:				
Current:				
General government	99,155	99,155	549,081	(449,926)
Debt service:				
Principal	225,000	225,000	235,000	(10,000)
Interest	171,288	171,288	160,125	11,163
Total expenditures	495,443	495,443	944,206	(448,763)
Excess (deficiency) of revenues over (under) expenditures	971,399	971,399	470,390	(501,009)
Other financing sources (uses):				
Transfer out	-	-	(387,421)	(387,421)
Total other financing sources (uses)	-	-	(387,421)	(387,421)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	971,399	971,399	82,969	(888,430)
Fund balances:				
Beginning of year	2,445,701	2,445,701	2,445,701	-
End of year	\$ 3,417,100	\$ 3,417,100	\$ 2,528,670	\$ (888,430)

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, 2010

	<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	\$ 12,718	\$ 12,718	\$ 11,415	\$ (1,303)
Other	3,030	3,030	-	(3,030)
Total revenues	<u>15,748</u>	<u>15,748</u>	<u>11,415</u>	<u>(4,333)</u>
Expenditures:				
Current:				
General government	707,192	707,192	528,912	178,280
Total expenditures	<u>707,192</u>	<u>707,192</u>	<u>528,912</u>	<u>178,280</u>
Excess (deficiency) of revenues over (under) expenditures	(691,444)	(691,444)	(517,497)	173,947
Other financing sources (uses):				
Transfers in	-	-	104,502	104,502
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>104,502</u>	<u>104,502</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(691,444)	(691,444)	(412,995)	278,449
Fund balances:				
Beginning of year	<u>407,967</u>	<u>407,967</u>	<u>407,967</u>	<u>-</u>
End of year	<u>\$ (283,477)</u>	<u>\$ (283,477)</u>	<u>\$ (5,028)</u>	<u>\$ 278,449</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, 2010**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 75,750	\$ 75,750	\$ -	\$ (75,750)
Total revenues	<u>75,750</u>	<u>75,750</u>	<u>-</u>	<u>(75,750)</u>
Expenditures:				
Current:				
General government	<u>239,213</u>	<u>239,213</u>	<u>158,175</u>	<u>81,038</u>
Total expenditures	<u>239,213</u>	<u>239,213</u>	<u>158,175</u>	<u>81,038</u>
Excess (deficiency) of revenues over (under) expenditures	(163,463)	(163,463)	(158,175)	5,288
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>282,919</u>	<u>282,919</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>282,919</u>	<u>282,919</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(163,463)	(163,463)	124,744	288,207
Fund balances:				
Beginning of year	<u>2,028,181</u>	<u>2,028,181</u>	<u>2,028,181</u>	<u>-</u>
End of year	<u>\$ 1,864,718</u>	<u>\$ 1,864,718</u>	<u>\$ 2,152,925</u>	<u>\$ 288,207</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF SIERRA MADRE, CALIFORNIA**

**FMAG - Santa Anita Fire Grant**

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

**Budget and Actual**

**Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 148,176	\$ 148,176
Use of money and property	-	-	1,987	1,987
Total revenues	<u>-</u>	<u>-</u>	<u>150,163</u>	<u>150,163</u>
Expenditures:				
Current:				
Public safety	-	-	50,324	(50,324)
Capital outlay	<u>-</u>	<u>-</u>	<u>22,212</u>	<u>(22,212)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>72,536</u>	<u>(72,536)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	77,627	77,627
Fund balances:				
Beginning of year	<u>3,720</u>	<u>3,720</u>	<u>3,720</u>	<u>-</u>
End of year	<u>\$ 3,720</u>	<u>\$ 3,720</u>	<u>\$ 81,347</u>	<u>\$ 77,627</u>

See accompanying Notes to Required Supplementary Information.

# CITY OF SIERRA MADRE, CALIFORNIA

## Grant Funds

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

#### Budget and Actual

Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amount	
Revenues:				
Intergovernmental	\$ 1,052,459	\$ 1,052,459	\$ 232,786	\$ (819,673)
Use of money and property	115,000	115,000	65,271	(49,729)
Total revenues	1,167,459	1,167,459	298,057	(869,402)
Expenditures:				
Current:				
General government	-	-	2,758	(2,758)
Public safety	53,052	53,052	72,420	(19,368)
Public works	17,197	17,197	17,197	-
Recreation, environmental and culture	13,909	13,909	10,950	2,959
Capital outlay	1,301,281	1,301,281	103,011	1,198,270
Total expenditures	1,385,439	1,385,439	206,336	1,179,103
Excess (deficiency) of revenues over (under) expenditures	(217,980)	(217,980)	91,721	309,701
Other financing sources (uses):				
Transfers in	-	-	166,291	166,291
Transfer out	(32,800)	(32,800)	(68,887)	(36,087)
Total other financing sources (uses)	(32,800)	(32,800)	97,404	130,204
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(250,780)	(250,780)	189,125	439,905
Fund balances:				
Beginning of year	(424,177)	(424,177)	(424,177)	-
End of year	\$ (674,957)	\$ (674,957)	\$ (235,052)	\$ 439,905

See Accompanying Notes to Required Supplementary Information.

# CITY OF SIERRA MADRE, CALIFORNIA

## Notes to Required Supplementary Information

Year Ended June 30, 2010

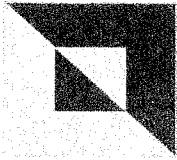
### (1) BUDGETS AND BUDGETARY ACCOUNTING

The City adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The City Manager or a 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, 2010 exceeded the appropriations of the following funds/programs:

	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u> <u>Variance</u>
General Fund:			
General Government	1,272,880	1,336,412	(63,532)
Recreation, Environment, and Culture	1,003,903	1,055,887	(51,984)
Debt Service:			
General Government	99,155	549,081	(449,926)
Principal	225,000	235,000	(10,000)
FMAG - Santa Anita Fire Grant			
Public Safety	-	50,324	(50,324)
Capital Outlay	-	22,212	(22,212)
Grants:			
General Government	-	2,758	(2,758)
Public Safety	53,052	72,420	(19,368)



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**BERANEK CHAN AND ASSOCIATES**

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CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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

We have audited the 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, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated January 5, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

January 5, 2011  
Arcadia, California

*Beranek Chan and Associates*  
Certified Public Accountants

## **Statistical Section**

This part of the City of Sierra Madre'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 says about the City's overall financial health.

### **Contents**

#### **Financial Trends**

*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

#### **Revenue Capacity**

*These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.*

#### **Debt Capacity**

*These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt.*

#### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.*

#### **Operating Information**

*These schedules contain information about the city's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.*

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the financial reports for the relevant year. The City implemented GASB Statement 34 in 2005; schedules presenting government-wide information include information beginning in that year.*

CITY OF SIERRA MADRE  
Net Assets by Component  
Last Five Fiscal Years  
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Government activities:</b>					
Invested in capital assets, net of related debt	\$ 185,944,619	\$ 189,766,201	\$ 188,972,208	\$ 187,749,494	\$ 187,804,691
Restricted	7,025,972	5,134,708	4,861,347	4,473,882	4,681,595
Unrestricted	<u>2,671,257</u>	<u>2,189,681</u>	<u>3,873,992</u>	<u>5,880,289</u>	<u>5,876,098</u>
<b>Total governmental activities net assets</b>	<b><u>\$ 195,641,848</u></b>	<b><u>\$ 197,090,590</u></b>	<b><u>\$ 197,707,547</u></b>	<b><u>\$ 198,103,665</u></b>	<b><u>\$ 198,362,384</u></b>
<b>Business-Type activities:</b>					
Invested in capital assets, net of related debt	\$ 16,586,449	\$ 14,818,105	\$ 15,133,429	\$ 16,526,965	\$ 15,741,252
Restricted					
Unrestricted	<u>(897,008)</u>	<u>8,030,762</u>	<u>6,734,062</u>	<u>6,338,095</u>	<u>6,822,253</u>
<b>Total business-type activities net assets</b>	<b><u>\$ 15,689,441</u></b>	<b><u>\$ 22,848,867</u></b>	<b><u>\$ 21,867,491</u></b>	<b><u>\$ 22,865,060</u></b>	<b><u>\$ 22,563,505</u></b>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 202,531,068	\$ 204,584,306	\$ 204,105,637	\$ 204,276,459	\$ 203,545,943
Restricted	7,025,972	5,134,708	4,861,347	4,473,882	4,681,595
Unrestricted	<u>1,774,249</u>	<u>10,220,443</u>	<u>10,608,054</u>	<u>12,218,384</u>	<u>12,698,351</u>
<b>Total primary government net assets</b>	<b><u>\$ 211,331,289</u></b>	<b><u>\$ 219,939,457</u></b>	<b><u>\$ 219,575,038</u></b>	<b><u>\$ 220,968,725</u></b>	<b><u>\$ 220,925,889</u></b>

The City of Sierra Madre implemented GASB 34 for the fiscal year ended June 30, 2005. Information prior to implementation of GASB 34 is not available.

CITY OF SIERRA MADRE  
Statement of Activities (Condensed)  
Last Five Fiscal Years  
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>					
Government activities					
General Government	\$ 6,702,190	\$ 6,618,475	\$ 6,611,903	\$ 7,851,142	\$ 7,779,996
Public safety	2,966,427	3,838,128	3,938,272	6,698,070	4,380,352
Public works	1,450,448	833,215	917,320	805,897	884,015
Development	-	-	-	431,174	375,842
Culture and recreation	1,660,368	1,776,581	2,006,435	1,231,928	1,444,584
Interest Expense	433,659	251,635	178,109	167,567	156,125
<b>Total governmental activities expenses</b>	<b><u>\$ 13,213,092</u></b>	<b><u>\$ 13,318,034</u></b>	<b><u>\$ 13,652,039</u></b>	<b><u>\$ 17,185,778</u></b>	<b><u>\$ 15,020,914</u></b>
Business-type activities					
Water	\$ 3,164,465	\$ 3,309,580	\$ 9,519,066	\$ 3,137,904	\$ 3,399,076
Sewer	705,900	767,100	627,238	651,945	856,702
Recreation Services	433,847	391,107	414,058	445,244	493,509
Strike Team	3,796	52,954	136,705	195,286	89,909
Filming	86,376	61,481	65,954	26,561	47,529
<b>Total business-type activities expenses</b>	<b><u>\$ 4,394,384</u></b>	<b><u>\$ 4,582,222</u></b>	<b><u>\$ 10,763,021</u></b>	<b><u>\$ 4,456,940</u></b>	<b><u>\$ 4,886,725</u></b>
<b>Total primary government expenses</b>	<b><u>\$ 17,607,476</u></b>	<b><u>\$ 17,900,256</u></b>	<b><u>\$ 24,415,060</u></b>	<b><u>\$ 21,642,718</u></b>	<b><u>\$ 19,907,639</u></b>

*The City of Sierra Madre implemented GASB 34 for the fiscal year ended June 30, 2005. Information prior to implementation of GASB 34 is not available.*

CITY OF SIERRA MADRE  
Statement of Activities (Condensed)  
Last Five Fiscal Years  
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Program Revenues</b>					
Government activities					
Charges for Services	\$ 5,685,124	\$ 4,240,302	\$ 5,486,438	\$ 5,521,416	\$ 5,065,422
Operating Grants and Contributions	376,161	624,932	1,444,440	2,920,814	757,868
Capital Grants and Contributions	-	-	428,708	121,739	48,228
<b>Total government activities</b>	<u>\$ 6,061,285</u>	<u>\$ 4,865,234</u>	<u>\$ 7,359,586</u>	<u>\$ 8,563,969</u>	<u>\$ 5,871,518</u>
Business-type activities					
Charges for Services	\$ 4,197,696	\$ 5,952,735	\$ 6,322,222	\$ 4,412,306	\$ 4,173,073
Capital Grants and Contributions	271,576	-	-	1,043,645	248,500
<b>Total business-type activities</b>	<u>\$ 4,469,272</u>	<u>\$ 5,952,735</u>	<u>\$ 6,322,222</u>	<u>\$ 5,455,951</u>	<u>\$ 4,421,573</u>
<b>Total program revenues</b>	<u>\$ 10,530,557</u>	<u>\$ 10,817,969</u>	<u>\$ 13,681,808</u>	<u>\$ 14,019,920</u>	<u>\$ 10,293,091</u>
<b>General Revenues and Transfers</b>					
Government activities					
Taxes	\$ 5,715,743	\$ 6,944,803	\$ 6,493,372	\$ 8,198,847	\$ 8,905,659
Investment income	511,590	1,118,952	521,398	334,793	231,953
Grants and Contributions, not restricted	1,028,383	1,185,396	-	-	-
Capital Contributions	-	568,579	-	168,991	369,848
Transfers	(182,727)	176,108	(96,533)	94,135	(114,988)
<b>Total general revenue and transfers</b>	<u>\$ 7,072,989</u>	<u>\$ 9,993,838</u>	<u>\$ 6,918,237</u>	<u>\$ 8,796,766</u>	<u>\$ 9,392,472</u>
<b>General Revenues and Transfers</b>					
Government activities					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	194,901	222,005	210,854	38,667
Capital Contributions	-	-	3,140,885	-	-
Transfers	182,727	(176,108)	96,533	(94,135)	114,988
<b>Total general revenue and transfers</b>	<u>\$ 182,727</u>	<u>\$ 18,793</u>	<u>\$ 3,459,423</u>	<u>\$ 116,719</u>	<u>\$ 153,655</u>
<b>Change in Net Assets</b>	\$ 178,797	\$ 2,930,344	\$ (355,592)	\$ 1,290,687	\$ (68,421)
<b>Net Assets - beginning of year, as restated</b>	<u>\$ 211,153,055</u>	<u>\$ 217,009,113</u>	<u>\$ 219,930,630</u>	<u>\$ 219,678,038</u>	<u>\$ 220,994,311</u>
<b>Net Assets - end of year</b>	<u>\$ 211,331,852</u>	<u>\$ 219,939,457</u>	<u>\$ 219,575,038</u>	<u>\$ 220,968,725</u>	<u>\$ 220,925,890</u>

CITY OF SIERRA MADRE  
Changes in Fund Balances of Governmental Funds  
Last Five Fiscal Years  
(modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>					
Taxes	\$ 5,715,743	\$ 6,944,803	\$ 6,493,372	\$ 8,198,847	\$ 8,905,659
Charges for Services	1,321,951	624,678	578,794	545,968	658,809
Intergovernmental	1,404,544	1,810,328	1,873,146	3,042,552	757,869
Licenses and Permits	427,661	558,884	987,713	847,977	854,492
Fines and Forfeitures	229,338	127,206	179,912	189,677	189,899
Investment income	511,590	700,133	521,398	278,739	170,391
Miscellaneous	483,261	412,979	224,668	188,538	153,766
<b>Total Revenue</b>	<b>\$ 10,094,088</b>	<b>\$ 11,179,011</b>	<b>\$ 10,859,003</b>	<b>\$ 13,292,298</b>	<b>\$ 11,690,885</b>
<b>Expenditures</b>					
Current:					
General government	\$ 3,139,621	\$ 2,742,176	\$ 2,407,126	\$ 2,664,527	\$ 3,091,208
Public safety	2,966,427	3,838,128	3,938,272	6,698,070	4,380,352
Public works	1,450,449	833,215	917,320	805,897	884,016
Development	-	-	-	431,174	375,842
Culture and recreation	1,660,368	1,776,581	2,006,435	1,231,928	1,444,583
Debt Service:					
Principal	195,000	205,000	215,000	225,000	235,000
Interest	204,580	191,129	181,520	171,288	160,125
Capital outlay	1,168,030	619,475	421,953	615,364	574,064
<b>Total all other governmental funds</b>	<b>\$ 10,784,475</b>	<b>\$ 10,205,704</b>	<b>\$ 10,087,626</b>	<b>\$ 12,843,248</b>	<b>\$ 11,145,190</b>
<b>Other financing sources (uses)</b>					
Sale of City property	\$ -	\$ 400,000	\$ -	\$ -	\$ -
Equipment Financing	-	-	-	-	725,402
Transfer in	2,095,408	1,394,269	2,767,157	3,869,613	1,950,479
Transfer out	(1,904,058)	(1,200,272)	(2,765,329)	(3,789,486)	(1,403,676)
<b>Total all other governmental funds</b>	<b>\$ 191,350</b>	<b>\$ 593,997</b>	<b>\$ 1,828</b>	<b>\$ 80,127</b>	<b>\$ 1,272,205</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (499,037)</b>	<b>\$ 1,567,304</b>	<b>\$ 773,205</b>	<b>\$ 529,177</b>	<b>\$ 1,817,900</b>
<b>Fund Balances, begin of year as restated</b>	<b>\$ 7,978,261</b>	<b>\$ 7,352,851</b>	<b>\$ 8,911,328</b>	<b>\$ 9,532,050</b>	<b>\$ 10,040,139</b>
<b>Fund Balances, end of year</b>	<b>\$ 7,479,224</b>	<b>\$ 8,920,155</b>	<b>\$ 9,684,533</b>	<b>\$ 10,061,227</b>	<b>\$ 11,858,039</b>

CITY OF SIERRA MADRE  
Fund Balances of Governmental Funds  
Last Five Fiscal Years  
(modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Fund</b>					
Unreserved	\$ 2,371,490	\$ 3,408,285	\$ 3,841,994	\$ 3,454,249	\$ 4,246,065
Reserved	-	-	300,000	490,000	890,000
<b>Total General Fund</b>	<u>\$ 2,371,490</u>	<u>\$ 3,408,285</u>	<u>\$ 4,141,994</u>	<u>\$ 3,944,249</u>	<u>\$ 5,136,065</u>
<b>All other governmental funds:</b>					
Reserved					
Debt service funds	\$ 2,848,789	\$ 3,451,710	\$ 3,178,349	\$ 2,445,701	\$ 2,528,671
Land held for resale	1,682,998	1,682,998	1,682,998	1,682,998	\$ 1,682,998
Capital projects funds	275,369	(494,512)	112,656	407,967	\$ 469,927
Unreserved, reported in Special revenue funds	<u>300,579</u>	<u>871,674</u>	<u>568,536</u>	<u>1,580,312</u>	<u>2,040,378</u>
<b>Total all other governmental funds</b>	<u>\$ 5,107,735</u>	<u>\$ 5,511,870</u>	<u>\$ 5,542,539</u>	<u>\$ 6,116,978</u>	<u>\$ 6,721,974</u>

CITY OF SIERRA MADRE  
 Changes in Fund Balances of Governmental Funds  
 Last Five Fiscal Years  
 (modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>					
Taxes	\$ 5,715,743	\$ 6,944,803	\$ 6,493,372	\$ 8,198,847	\$ 8,905,659
Charges for Services	1,321,951	624,678	578,794	545,968	658,809
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<b>Total Revenue</b>	<u>\$ 10,094,088</u>	<u>\$ 11,179,011</u>	<u>\$ 10,859,003</u>	<u>\$ 13,292,298</u>	<u>\$ 11,690,885</u>
<b>Expenditures</b>					
Current:					
General government	\$ 3,139,621	\$ 2,742,176	\$ 2,407,126	\$ 2,664,527	\$ 3,091,208
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<b>Total all other governmental funds</b>	<u>\$ 10,784,475</u>	<u>\$ 10,205,704</u>	<u>\$ 10,087,626</u>	<u>\$ 12,843,248</u>	<u>\$ 11,145,190</u>
<b>Other financing sources (uses)</b>					
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Equipment Financing	-	-	-	-	725,402
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Transfer out	(1,904,058)	(1,200,272)	(2,765,329)	(3,789,486)	(1,403,676)
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<b>Fund Balances, begin of year as restated</b>	<u>\$ 7,978,261</u>	<u>\$ 7,352,851</u>	<u>\$ 8,911,328</u>	<u>\$ 9,532,050</u>	<u>\$ 10,040,139</u>
<b>Fund Balances, end of year</b>	<u>\$ 7,479,224</u>	<u>\$ 8,920,155</u>	<u>\$ 9,684,533</u>	<u>\$ 10,061,227</u>	<u>\$ 11,858,039</u>

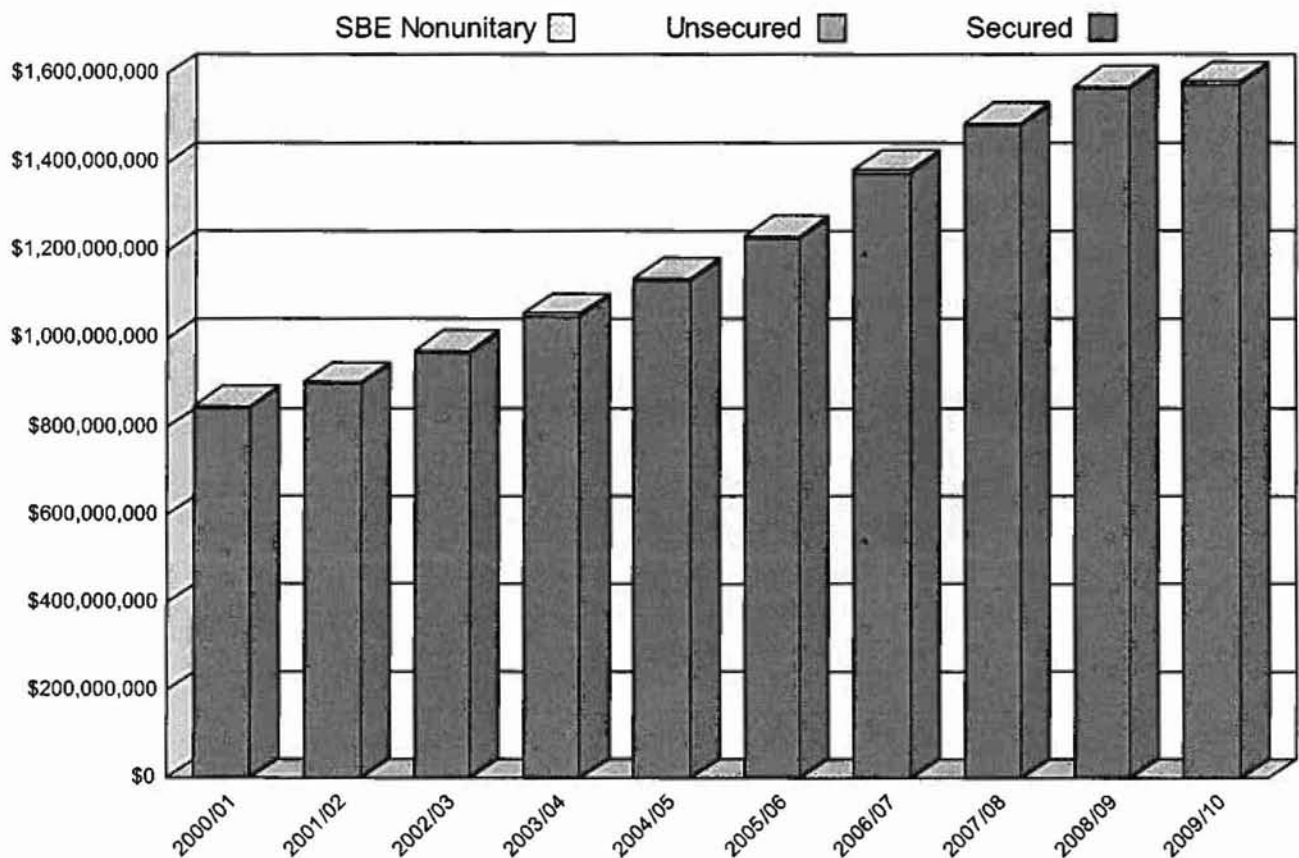


# THE CITY OF SIERRA MADRE

## NET TAXABLE ASSESSED VALUE HISTORY

2000/01 - 2009/10 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2000/01	\$843,833,324	\$4,627,860	\$0	848,461,184	
2001/02	\$898,219,432	\$4,751,769	\$0	902,971,201	6.42%
2002/03	\$968,630,256	\$5,223,418	\$0	973,853,674	7.85%
2003/04	\$1,053,121,132	\$5,500,537	\$0	1,058,621,669	8.70%
2004/05	\$1,131,410,893	\$7,258,551	\$0	1,138,669,444	7.56%
2005/06	\$1,227,432,645	\$7,336,999	\$0	1,234,769,644	8.44%
2006/07	\$1,378,030,002	\$7,311,177	\$0	1,385,341,179	12.19%
2007/08	\$1,483,664,282	\$6,993,385	\$0	1,490,657,667	7.60%
2008/09	\$1,566,226,436	\$7,021,368	\$0	1,573,247,804	5.54%
2009/10	\$1,577,313,340	\$6,881,054	\$0	1,584,194,394	0.70%



# THE CITY OF SIERRA MADRE

## ASSESSED VALUE OF TAXABLE PROPERTY

2000/01 - 2009/10 Taxable Property Values

Category	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Residential	803,153,625	852,204,175	919,998,596	999,145,746	1,073,523,989	1,166,416,663	1,295,572,193	1,391,361,479	1,469,859,412	1,469,610,878
Commercial	21,872,409	23,218,957	25,354,948	25,502,034	27,757,457	28,988,463	34,892,478	38,120,509	44,106,361	47,818,195
Industrial	3,803,103	4,436,228	5,018,350	5,316,160	5,415,393	5,523,681	5,663,629	5,776,878	7,240,625	7,385,414
Govt. Owned	92,505	94,355	96,242		337,926	144,405	498,870	508,845	519,020	156,306
Institutional	3,052,056	8,055,066	2,560,076	5,902,831	3,147,875	2,251,162	2,296,184	2,342,105	2,388,942	2,436,717
Irrigated	60,271	61,059			3,603,931	3,676,009				
Recreational	554,831	790,572	555,331	947,074	964,751	984,042	579,793	591,386	603,211	615,272
Vacant	7,229,595	8,148,641	13,268,116	14,452,441	11,784,290	14,485,379	33,464,760	43,044,306	39,531,555	47,752,008
SBE Nonunitary	0	0	0	0	0	0	0	0	0	
Cross Reference	4,014,929	1,210,379	1,778,597	1,854,846	4,875,281	4,962,841	5,062,095	1,918,774	1,977,310	1,538,550
Unsecured	4,627,860	4,751,769	5,223,418	5,500,537	7,258,551	7,336,999	7,311,177	6,993,385	7,021,368	6,881,054
Exempt	[0]	[0]	[0]	[0]	[0]	[0]	[0]	[0]	[0]	[0]
<b>TOTALS</b>	<b>848,461,184</b>	<b>902,071,201</b>	<b>973,853,674</b>	<b>1,058,621,669</b>	<b>1,138,669,444</b>	<b>1,234,769,644</b>	<b>1,385,341,179</b>	<b>1,490,657,667</b>	<b>1,573,247,804</b>	<b>1,584,194,394</b>
<b>Total Direct Rate</b>	<b>0.28203</b>	<b>0.27260</b>	<b>0.27539</b>	<b>0.27529</b>	<b>0.27615</b>	<b>0.28023</b>	<b>0.28118</b>	<b>0.28220</b>	<b>0.28474</b>	<b>0.28501</b>

**Notes:**  
Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: L. A. County Assessor 2000/01 - 2009/10 Combined Tax Rolls

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Prepared On 8/16/2010 By NEC

# THE CITY OF SIERRA MADRE

## DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Agency	Last 10 Fiscal Years									
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Basic Levy<sup>1</sup></b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Arcadia Unified	0.03367	0.03106	0.03129	0.03004	0.02908	0.02746	0.02831	0.08086	0.07911	0.07561
County Detention Facilities 1987 Debt	0.00131	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000
La County Flood Control	0.00155	0.00107	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000
Pasadena Community College Dist	0.00000	0.00000	0.00000	0.00681	0.00879	0.00410	0.02080	0.01972	0.01742	0.02300
Pasadena Unified School Dist	0.06789	0.09040	0.07030	0.08890	0.08631	0.10991	0.11717	0.05491	0.06375	0.10836
San Gabriel Valley Mwd	0.00225	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
San Gabriel Vly Mwd State Water Bond	0.02175	0.02400	0.02400	0.02200	0.02000	0.02000	0.02000	0.02000	0.01800	0.01800
Sierra Madre Lighting	0.30902	0.30902	0.30902	0.30902	0.30902	0.30902	0.30902	0.30902	0.30902	0.30902
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>1.43745</b>	<b>1.45668</b>	<b>1.43653</b>	<b>1.45824</b>	<b>1.45437</b>	<b>1.47134</b>	<b>1.49602</b>	<b>1.48451</b>	<b>1.48730</b>	<b>1.53400</b>
<b>City's Share of 1% Levy Per Prop 13<sup>3</sup></b>	0.21911	0.21911	0.21911	0.21911	0.21911	0.21911	0.21911	0.21911	0.21911	0.21911
<b>General Obligation Debt Rate</b>										
<b>Redevelopment Rate<sup>4</sup></b>	1.02687	1.02620	1.02591	1.02345	1.02117	1.02084	1.02072	1.02000	1.01800	1.01800
<b>Total Direct Rate<sup>5</sup></b>	0.28203	0.27260	0.27539	0.27529	0.27615	0.28023	0.28118	0.28220	0.28474	0.28501

**Notes:**

<sup>1</sup>In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

<sup>2</sup>Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

<sup>3</sup>City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

<sup>4</sup>RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

<sup>5</sup>Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information

Data Source: L. A. County Assessor 2000/01 - 2009/10 Tax Rate Table

Prepared On 8/16/2010 By NEC

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# THE CITY OF SIERRA MADRE

## 2009/10 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured			Unsecured			Combined		Primary Use & Primary Agency
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV	Value	% of Net AV	
1) CS ONE CARTER LLC (Pending Appeals On Parcels)	36	\$31,200,031	1.98%				\$31,200,031	1.97%	Vacant TD #1
2) CS STONEHOUSE (Pending Appeals On Parcels)	6	\$16,784,741	1.06%				\$16,784,741	1.06%	Residential TD #1
3) S M E ASSOCIATES LIMITED	4	\$6,652,302	0.42%				\$6,652,302	0.42%	Residential TD #1
4) BARBERA FAMILY LP	3	\$4,792,442	0.30%				\$4,792,442	0.30%	Residential TD #1
5) MONTECITO DEVELOPMENT GROUP LLC (Pending Appeals On Parcels)	3	\$3,896,748	0.25%				\$3,896,748	0.25%	Commercial Sierra Madre Boulevard RP
6) WILLIAM AND MARIE SULLIVAN TRUST	5	\$3,397,413	0.22%				\$3,397,413	0.21%	Industrial Sierra Madre Boulevard RP
7) WILLIAM L. AND PATRICIA G. SULLIVAN	8	\$3,260,582	0.21%				\$3,260,582	0.21%	Residential TD #1
8) CHATEAU ESPERANZA LLC	1	\$3,009,300	0.19%				\$3,009,300	0.19%	Residential TD #1
9) ZHANG HONGMEI	1	\$2,922,565	0.19%				\$2,922,565	0.18%	Residential TD #1
10) CAC EXCHANGE II LLC TIME WARNER CABLE (Pending Appeals On Parcels)	1	\$1,333,792	0.08%	2	\$1,555,205	22.60%	\$2,888,997	0.18%	Unsecured TD #1
<b>Top Ten Total</b>	68	\$77,249,916	4.90%	2	\$1,555,205	22.60%	\$78,805,121	4.97%	
<b>City Total</b>		\$1,577,313,340			\$6,881,054		\$1,584,194,394		

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Top Owners last edited on 7/28/10 by paulac using sales through 06/30/10

Data Source: L. A. County Assessor 2009/10 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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Prepared On 8/16/2010 By NEC



# THE CITY OF SIERRA MADRE

## 2000/01 TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based On Net Values

Owner	Secured			Unsecured			Combined		Primary Use & Primary Agency
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV	Value	% of Net AV	
1) BARBERA FAMILY LP (Pending Appeals On Parcels)	4	\$2,933,759	0.35%				\$2,933,759	0.35%	Residential TD #1
2) MARANATHA HIGH SCHOOL (Pending Appeals On Parcels)	2	\$2,840,229	0.34%				\$2,840,229	0.33%	Possessory Int. TD #1
3) WILLIAM L. SULLIVAN TRUST	5	\$2,065,081	0.24%				\$2,065,081	0.24%	Residential TD #1
4) DAVID O. HOWARD	5	\$1,866,850	0.22%				\$1,866,850	0.22%	Residential TD #1
5) FRANK AND SUSAN LIN	1	\$1,640,000	0.19%				\$1,640,000	0.19%	Residential TD #1
6) CHARLES L. SEITZ	2	\$1,631,193	0.19%				\$1,631,193	0.19%	Residential TD #1
7) KRISHNA MALHOTRA	2	\$1,410,428	0.17%				\$1,410,428	0.17%	Residential TD #1
8) SAMI B. AND NADIA T. MARCOS TRUST	2	\$1,299,324	0.15%				\$1,299,324	0.15%	Residential TD #1
9) ANGEL P. AND HELEN J. UNAMUNO TRUST	1	\$1,246,678	0.15%				\$1,246,678	0.15%	Residential TD #1
10) SIERRA MADRE SKILLED NURSING FACILITY	2	\$1,243,595	0.15%				\$1,243,595	0.15%	Institutional Sierra Madre Boulevard RP
<b>Top Ten Total</b>	26	\$18,177,137	2.15%	0	\$0	0.00%	\$18,177,137	2.14%	
<b>City Total</b>		\$843,833,324			\$4,627,860		\$848,461,184		

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Top Owners last edited on 7/2/10 by nicholec using sales through 06/03/10

Data Source: L. A. County Assessor 2000/01 Combined Tax Rolls and the SBE Non Unitary Tax Roll

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 7/2/2010 By NEC

City of Sierra Madre  
 Taxable Sales by Category  
 Last Ten Calendar Years  
 (in thousands of dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Apparel Stores	\$ 258	\$ 224	\$ 171	\$ 305	\$ 750	\$ 942	\$ 992	\$ 875	\$ 842	\$ 635
General Merchandise	36	13	64	11	7	19	86	118	157	121
Food Stores	1,562	1,517	1,434	872	932	452	206	252	100	84
Eating and Drinking Places	3,417	3,611	3,585	4,212	4,193	5,611	6,677	7,434	7,794	7,520
Building Materials	786	725	641	680	846	949	1,089	1,113	1,240	986
Other Retail Stores	6,416	6,372	6,020	5,934	6,488	6,637	9,205	10,600	10,635	9,088
All Other Outlets	11,699	9,073	11,019	10,504	11,297	12,312	11,670	9,286	10,384	7,621
<b>Total</b>	<b>\$ 24,175</b>	<b>\$ 21,534</b>	<b>\$ 22,933</b>	<b>\$ 22,518</b>	<b>\$ 24,514</b>	<b>\$ 26,922</b>	<b>\$ 29,924</b>	<b>\$ 29,678</b>	<b>\$ 31,152</b>	<b>\$ 26,055</b>

Source: State of California Board of Equalization and The HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

CITY OF SIERRA MADRE  
Ratios of outstanding Debt by Type  
Last Five Fiscal Years

Fiscal Year	Governmental Activities			Buisness Activities			Total Primary Government
	Master Lease Equipment Financing	General Obligation Bonds	Tax Increment Bonds	Master Lease Equipment Financing	Revenue Parity Bonds	Loans	
2006	\$ 138,247	\$ -	\$ 4,160,000	\$ -	\$ 11,900,000	\$ -	\$ 16,198,247
2007	103,685	-	3,965,000	-	11,630,000	1,456,875	17,155,560
2008	69,123	-	3,760,000	-	11,350,000	1,456,875	16,635,998
2009	34,562	-	3,545,000	-	11,060,000	1,456,875	16,096,437
2010	1,224,674	-	3,320,000	433,040	10,760,000	1,456,875	17,194,589

# THE CITY OF SIERRA MADRE

## DIRECT & OVERLAPPING DEBT AS OF JUNE 30, 2010

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
<b>Overlapping Debt</b>			
812.50 PASADENA AREA CCD DS 2002 S-A	2,835,000	2.706	76,710
812.51 PASADENA CCD DS 2006 SERIES B	50,590,000	2.706	1,368,882
812.52 PASADENA CCD DS 2006 REFUNDING BOND SERIES C	16,337,379	2.706	442,062
812.53 PASADENA CCD DS 2002, 2006 SER D	52,000,000	2.706	1,407,034
817.51 ARCADIA UNIFIED DS 1993 SERIES A	6,753,182	0.369	24,930
817.53 ARCADIA UNIFIED DS 1993 SERIES C	1,794,657	0.369	6,625
817.54 ARCADIA UNIFIED DS REF. BONDS 1993 2005 SERIES A	3,965,000	0.369	14,637
817.55 ARCADIA UNIFIED DS 2006 SER A	159,665,423	0.369	589,417
909.54 PASADENA USD DS 2004 REF. BONDS	63,280,000	5.449	3,448,183
909.55 PASADENA USD DS 2005 REF. BONDS	116,375,000	5.449	6,341,376
909.56 PASADENA USD DS 2008 SERIES 2009	125,000,000	5.449	6,811,360
<b>Total Overlapping Debt</b>			<b>20,531,216</b>

2009/10 Assessed Valuation: \$1,456,991,094 After Deducting \$127,203,300 Redevelopment Increment.

Debt To Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	1.41%
	Total Debt	1.41%

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the city.

Data Source: HdL Coren & Cone, L. A. County Assessor and Auditor Combined 2009/10 Lien Date Tax Rolls

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 8/16/2010 By NEC



CITY OF SIERRA MADRE  
Pledged-Revenue Coverage  
Last Five Fiscal Years

Governmental Activities

Debt Service

Fiscal Year	<u>Tax Increment</u> <sup>①</sup>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2006	\$ 916,217	\$ 195,000	\$ 200,131	2.32
2007	945,446	205,000	191,129	2.39
2008	1,109,761	215,000	181,520	2.80
2009 <sup>②</sup>	1,128,402	225,000	171,288	2.85
2010 <sup>③</sup>	697,666	235,000	160,125	1.77

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

- ① Tax increment figures are net of related pass-through payments.
- ② Tax increment figures are net of related pass-through payments, beginning in 2008-2009 the City began paying AB1389 pass through payments.
- ③ Tax increment figures are net of related pass-through payments, including AB1389 and State SERAF of \$542,513.

CITY OF SIERRA MADRE  
Pledged-Revenue Coverage  
Last Five Fiscal Years

Fiscal Year	Business Activities			Debt Service		Coverage
	Operating Revenues	Operating Expenses	Operating Income	Principal	Interest	
2006	\$ 3,054,798	\$ 1,782,573	\$ 916,217	\$ 270,000	\$ 580,757	1.08
2007	4,727,750	2,508,870	945,446	280,000	693,759	0.97
2008	5,031,771	5,828,036	1,109,761	290,000	556,042	1.31
2009	3,037,500	2,596,025	1,128,402	300,000	541,878	1.34
2010	2,920,048	2,719,354	697,666	320,000	526,387	0.82

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

CITY OF SIERRA MADRE  
Ratios of outstanding Debt by Type  
Last Five Fiscal Years

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	10,772	513,123	39,880	1.4%
2007	10,719	539,163	41,875	1.5%
2008	10,748	580,438	54,183	2.2%
2009	10,786	N/A	N/A	3.5%
2010	11,099	N/A	N/A	N/A

\*Note: This is data of the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area.  
Data for just the City of Sierra Madre is not available. Information for 2010 is not yet available.

- Sources:** (1) California Library Statistics  
 (2) U.S. Department of Commerce Bureau of Economic Analysis  
 (3) State of California Department of Finance  
 (4) State of California Economic Development Department



# THE CITY OF SIERRA MADRE 2009 PRINCIPAL EMPLOYERS

COMPANY NAME	ADDRESS	EMPLOYEES	RANK	% OF CITY EMPLOYMENT	BUSINESS MAILING CITY	MAP CITY
COIT DRAPERY CARPET		200	1	9.82%	SIERRA MADRE	SIERRA MADRE
GEORGE BRAZIL SERVICES	SIERRA MADRE & BALDWIN	100	2	4.91%	SIERRA MADRE	SIERRA MADRE
CITY OF SIERRA MADRE	611 E SIERRA MADRE BLVD	74	3	3.63%	SIERRA MADRE	SIERRA MADRE
SIERRA MADRE ELEMENTARY SCHOOL	141 W HIGHLAND AVE	68	4	3.34%	SIERRA MADRE	SIERRA MADRE
CLIMB WORK ACTIVITY	161 W SIERRA MADRE BLVD	43	5	2.11%	SIERRA MADRE	SIERRA MADRE
BETHANY CHRISTIAN SCHOOL	93 N BALDWIN AVE # B	40	6	1.96%	SIERRA MADRE	SIERRA MADRE
PRUDENTIAL CALIFORNIA REALTY	115 W SIERRA MADRE BLVD	40	7	1.96%	SIERRA MADRE	SIERRA MADRE
ONLY PLACE IN TOWN	110 W SIERRA MADRE BLVD	36	8	1.77%	SIERRA MADRE	SIERRA MADRE
SIERRA MADRE CONGREGATIONAL	170 W SIERRA MADRE BLVD	35	9	1.72%	SIERRA MADRE	SIERRA MADRE
US POST OFFICE	61 S BALDWIN AVE	32	10	1.57%	SIERRA MADRE	SIERRA MADRE
ALVERNO HIGH SCHOOL	200 N MICHILLINDA AVE	31	11	1.52%	SIERRA MADRE	SIERRA MADRE
ST RITA'S CATHOLIC SCHOOL	322 N BALDWIN AVE	30	12	1.47%	SIERRA MADRE	SIERRA MADRE
CHARCUTERIE	120 W SIERRA MADRE BLVD	29	13	1.42%	SIERRA MADRE	SIERRA MADRE
CENTURY 21	38 W SIERRA MADRE BLVD # A	25	14	1.23%	SIERRA MADRE	SIERRA MADRE
GOODEN SCHOOL	192 N BALDWIN AVE	25	15	1.23%	SIERRA MADRE	SIERRA MADRE
HAYNES AND OAKLEY	331 W SIERRA MADRE BLVD	25	16	1.23%	SIERRA MADRE	SIERRA MADRE
LOZANO	44 N BALDWIN AVE	25	17	1.23%	SIERRA MADRE	SIERRA MADRE
PASSIONIST COMMUNITY RETREAT CENTER	700 N SUNNYSIDE AVE	25	18	1.23%	SIERRA MADRE	SIERRA MADRE
CAFE 322	322 W SIERRA MADRE BLVD	23	19	1.13%	SIERRA MADRE	SIERRA MADRE
SIERRA MADRE ROASTING	45 N BALDWIN AVE	21	20	1.03%	SIERRA MADRE	SIERRA MADRE
<b>TOTAL OF TOP EMPLOYERS</b>		<b>927</b>		<b>45.53%</b>		
<b>TOTAL EMPLOYEES IN CITY</b>		<b>2,036</b>				

**NOTES:**

Business Mail City is the city name listed on the mailing address of that business

Map City is the city where the business is located once its GPS coordinates have been arrayed on a map.

Data Source: InfoGroup

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Prepared On 8/17/2010 By NEC

**CITY OF SIERRA MADRE  
TOP 25 SALES TAX PRODUCERS  
FOR THE FISCAL YEAR 2009/2010**

<b>Business Name</b>	<b>Business Category</b>
Angels Everywear	Women's Apparel
Arnolds Frontier Hardware	Hardware Stores
Baldwin Jewelers	Jewelry Stores
Berdahl Dental Laboratory Inc	Light Industrial/Printers
Bottle Shop	Package Liquor Stores
Buccaneer Lounge	Restaurants Liquor
Cafe 322	Restaurants Liquor
Casa Del Rey	Restaurants Beer And Wine
Charcuterie	Restaurants Liquor
Corfu Restaurant	Restaurants Liquor
Happys Liquor	Package Liquor Stores
High Quality Auto Service	Service Stations
Highlander Jr Market & Liquor	Package Liquor Stores
Iris Intrigue Boutique	Art/Gift/Novelty Stores
Kentucky Fried Chicken	Restaurants No Alcohol
Lingo Industrial Electronics	Heavy Industrial
Lucky Baldwins Delirium Cafe	Restaurants Beer And Wine
Moes Unocal	Auto Repair Shops
Only Place In Town Inc	Restaurants Beer And Wine
Platt Design Group Inc	Specialty Stores
Savor The Flavor	Non-Store Retailers
Sierra Madre Ind Honda Serv	Repair Shop/Hand Tool Rentals
Sierra Madre Pizza Co	Restaurants No Alcohol
Ugos Fine Foods Inc	Restaurants No Alcohol
Village Pizzeria	Restaurants No Alcohol

Percent of Fiscal Year Total Paid By Top 25 Accounts = 76.01%

\* Firms Listed Alphabetically  
Period: April 2009 Thru March 2010

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

Printed 07/01/2010

**CITY OF SIERRA MADRE  
TOP 25 SALES TAX PRODUCERS  
FOR THE FISCAL YEAR 2000/2001**

<b>Business Name</b>	<b>Business Category</b>
Arnolds Hardware And Gift	Hardware Stores
Baldwin Jewelers	Jewelry Stores
Berdahl Dental Laboratory Inc	Light Industrial/Printers
Bottle Shop	Package Liquor Stores
Buccaneer Lounge	Restaurants Liquor
Charlottes Fine Jewelry	Jewelry Stores
Dier Auto Sales	Trailers/Auto Parts
Dominos Pizza	Food Stores Non-Grocery
Graphics And Beyond	Specialty Stores
Happys Liquor	Restaurants No Alcohol
High Quality Auto Service	Service Stations
Highlander Jr Market & Liquor	Package Liquor Stores
Hollinhurst Printing & Advertisin	Repair Shop/Hand Tool Rentals
Howies Ranch Market	Grocery Stores Liquor
Leonora Moss	Florist Shops
Level Control Systems	Electrical Equipment
Lingo Industrial Electronics	Heavy Industrial
Little Stuga	Art/Gift/Novelty Stores
Los Angeles Filing Sys Co Etal	Office Supplies/Furniture
Moes Unocal	Auto Repair Shops
Only Place In Town Inc	Restaurants Beer And Wine
Sierra Glass & Mirrors Inc	Paint/Glass/Wallpaper
Sierra Madre Brewing Company Inc	Restaurants No Alcohol
Starbucks Coffee 5266	Restaurants No Alcohol
Village Pizzeria & Deli	Restaurants No Alcohol

Percent of Fiscal Year Total Paid By Top 25 Accounts = 71.23%

\* Firms Listed Alphabetically  
Period: April 2000 Thru March 2001

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

Printed 07/01/2010

CITY OF SIERRA MADRE  
 Full Time Equivalent City Government Employees by Function  
 Last Five Fiscal Years

Function Program

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Government	9	8	8	8	8
Public Safety					
Police					
Officers	17	17	17	17	18
Civilians	5	5	5	5	5
Fire					
Full-Time	3	3	3	3	3
Public works	20	20	21	21	19
Development	4	4	4	4	4
Culture and Recreation	9	10	10	10	10
<b>Total</b>	<b>67</b>	<b>67</b>	<b>68</b>	<b>68</b>	<b>67</b>

CITY OF SIERRA MADRE  
Operating Indicators  
Last Five Fiscal Years

Function Program

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>					
Number of:					
Physical Arrests	381	580	417	370	467
Parking Violations	1,060	2,931	3,283	3,516	2,812
Traffic Violations	529	1,039	1,339	1,574	1,740
<b>Fire</b>					
Number of:					
Calls Answered	783	816	851	818	885
Inspections	1,171	1,662	53	2,040	1,964
<b>Public Works</b>					
Number of:					
Water Mains Repaired	15	20	18	18	25
Water service leaks repaired	4	19	15	25	28
Street resurfacing/repair (SF)	n/a	-	-	-	331,235
Sidewalk Repairs (SF)	n/a	1,250	1,625	1,050	1,950
Trees planted	2	-	47	6	34
Trees pruned	283	274	470	444	171
Trees removed	26	23	12	18	18
Sewer cleaned/inspected (LF)	90,000	90,000	186,055	186,055	186,055
Meters replaced	94	105	111	463	624
Valves exercised	120	137	350	234	257
Pot holes repaired	30	78	66	106	106



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Recreation and community services</b>					
Number of:					
Rec class enrollees	853	1,476	1,518	1,419	1,008
Aquatic enrollees	2,688	2,348	3,665	3,398	3,720
Summer pool memberships	24	13	7	22	22
Annual Events	684	729	671	738	708
Huck Finn (campsites)	35	34	34	28	37
Oktoberfest	70	64	57	59	55
Mt. Wilson Trail Race	329	355	335	335	328
Window Painting	55	74	72	130	119
Halloween Happenings	148	154	131	133	149
Whale Watching	47	48	42	53	20
<b>Library</b>					
Number of:					
Registered borrowers	13,308	13,968	10,942	10,970	11,162
Circulation	101,461	81,879	90,985	101,513	107,535
Reference	6,947	7,208	5,823	5,707	6,682
Book volumes held	61,150	61,515	59,037	59,540	58,956
User's of E-Resources	14,155	15,226	14,104	12,762	14,288
Media	4,486	4,688	4,982	4,940	5,381
Periodicals	106	115	115	108	119
<b>Municipal Utilities</b>					
Number of:					
Number of Customers*					
Commercial	105	105	106	110	111
Multi-Unit	356	353	353	351	356
Residential	3,171	3,136	3,184	3,198	3,312
City	75	75	75	75	75
*data from two accounting records.					
Water Served (cubic feet)	1,016	1,051	1,146	956	

CITY OF SIERRA MADRE  
Fixed Assets  
Last Five Fiscal Years

		2006	2007	2008	2009	2010
<b>Roadways</b>						
	Pavement AC (Governmental Funds-ISF Facilities)	\$ 18,706,321	\$ 22,116,904	\$ 17,056,270	\$ 16,209,394	\$ 15,364,491
<b>Street Appurtenances</b>						
	Bridges (Governmental Funds-ISF Facilities)	\$ 100,298	\$ 276,685	\$ 86,464	\$ 79,547	\$ 72,630
<b>Parks</b>						
	Park Structures (Governmental Funds-ISF Facilities)	\$ 20,886	\$ 534,527	\$ 184,980	\$ 183,792	\$ 172,614
	Trees (Governmental Funds-ISF Facilities)	\$ 1,070,400	\$ 1,070,400	\$ 1,206,214	\$ 1,206,214	\$ 1,206,214
<b>Wastewater</b>						
	Manholes (Sewer)	\$ 948,641	\$ 1,649,811	\$ 893,647	\$ 866,151	\$ 838,654
	Sewer Pipelines (Sewer)	\$ 3,363,145	\$ 5,848,948	\$ 3,168,180	\$ 3,070,698	\$ 2,973,215
<b>Domestic Water Network</b>						
	Spreading Basins (Water)	\$ 1,356,188	\$ 1,959,726	\$ 1,356,188	\$ 1,257,907	\$ 1,225,146
	Pump Stations (Water)	\$ 752,140	\$ 1,308,070	\$ 1,756,896	\$ 1,702,838	\$ 1,648,780
	Meters (Water)	\$ 128,655	\$ 857,703	\$ 71,475	\$ 42,885	\$ 14,295
	Pipelines (Water)	\$ 4,472,234	\$ 9,127,009	\$ 4,107,154	\$ 3,924,614	\$ 3,742,074
	Pressure Reducing Stations (Water)	\$ 414,050	\$ 649,490	\$ 381,575	\$ 365,338	\$ 349,101
	Fire Hydrants (Water)	\$ 245,222	\$ 500,453	\$ 225,204	\$ 215,195	\$ 205,186
	Wells (Water)	\$ 985,288	\$ 2,010,791	\$ 904,856	\$ 864,640	\$ 824,424
	Reservoirs (Water)	\$ 6,088,555	\$ 7,032,861	\$ 12,824,440	\$ 14,539,434	\$ 14,399,392
<b>Buildings</b>						
	All	\$ 8,508,827				
	Buildings (Water Fund)		\$ 410,645	\$ 201,216	\$ 176,577	\$ 168,365
	Buildings (Sewer Fund)		\$ 410,645	\$ 201,216	\$ 176,577	\$ 168,365
	Buildings (Government-ISF Facilities)		\$ 11,782,716	\$ 7,822,061	\$ 7,273,863	\$ 7,050,994
<b>Land</b>						
	All	\$ 182,258,079				
	Land (Water Fund)		\$ 1,483,250	\$ 1,483,250	\$ 1,483,250	\$ 1,483,250
	Land (Government-ISF Facilities)		\$ 162,275,945	\$ 162,275,945	\$ 162,275,945	\$ 162,275,945
<b>General Equipment</b>						
	All	\$ 560,077				
	Vehicle & Equipment (Water Fund)		\$ 418,332	\$ 55,804	\$ 39,215	\$ 27,081
	Vehicle & Equipment (Sewer Fund)		\$ 237,656	\$ 19,203	\$ 18,522	\$ 3,841
	Vehicle & Equipment (Government-GASB34 only)					\$ 270,108
	Vehicle & Equipment (Government-ISF Fleet)		\$ 1,926,882	\$ 340,274	\$ 520,740	\$ 1,021,846
	Accounting Software (Governmental-ISF Administration)					\$ 369,848
<b>Total</b>		<b>\$ 229,979,005</b>	<b>\$ 233,889,449</b>	<b>\$ 216,622,513</b>	<b>\$ 216,493,335</b>	<b>\$ 215,875,857</b>