

CITY OF VILLA PARK
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2009

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BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2009

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CITY OF VILLA PARK
FINANCIAL STATEMENTS

Year Ended June 30, 2009

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Honorable Mayor and City Council
City of Villa Park, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Villa Park, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Villa Park, California. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Villa Park, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of the City of Villa Park, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villa Park's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Honorable Mayor and City Council
City of Villa Park, California
Page Two

In accordance with *Governmental Auditing Standards*, we have also issued our report dated, October 2, 2009 on our consideration of the City of Villa Park'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.

Nayer Hoffman McCann P.C.

Irvine, California
October 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Villa Park's financial performance provides an overview of the City's financial activities for the year ending June 30, 2009. This discussion and analysis should be read in concert with the accompanying transmittal letter and the accompanying basic financial statements; however, the discussion and analysis is un-audited.

FINANCIAL HIGHLIGHTS

- At the conclusion of Fiscal Year 2008/2009, the City maintained an All Governmental Funds Unreserved Fund Balance of \$2,685,924.
- The General Fund Unreserved Fund Balance increased by 12.96% from Fiscal Year 2007/2008, for a total balance of \$1,677,407 at June 30, 2009.
- Total governmental funds revenue from all sources in Fiscal Year 2008/2009 equaled \$3,886,285.
- Total costs for all governmental funds expenses in Fiscal Year 2008/2009 equaled \$3,416,996.
- In the General Fund the City spent \$944,402 on general government expenditures; \$991,231 on public safety expenditures, \$339,133 on public works expenditures and \$299,888 on capital outlay expenditures.

USING THE ACCOMPANYING FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and allow a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental funds, the fund financial statements tell how City services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining statements* of non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund* statement offers *short- and long-term* financial information about the activities the government operates like a business, such as the employee benefits system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provide additional financial and budgetary information.

REPORTING THE CITY AS A WHOLE

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are recognized when the transaction takes place, regardless of when the cash is received or paid.

These two statements also report the City's net assets and changes in them. The City's net assets are the difference between assets and liabilities, and 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. Consideration should also be given to other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

All of the City's basic services are considered to be governmental activities. The Statement of Net Assets and the Statement of Activities present information about these governmental activities, including General Government, Public Safety, and Public Works.

REPORTING THE CITY'S MAJOR FUNDS

The **fund financial statements** provide detailed information about the most significant funds—not the City as a whole. Included as major funds are the General Fund, Gas Tax, City Sewer Improvement/Maintenance Fund, Capital Improvements Fund, and other lesser funds reported collectively as Non-major Governmental Funds. Some funds are required to be established by State law; however, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibility for using certain taxes, grants, and other money. The City currently has just two types of funds – *governmental* and *proprietary* – which use different accounting approaches.

- *Governmental funds* focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Most of the City's basic services are reported in governmental funds. These funds are reported using *modified accrual accounting*, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* are described in the reconciliation at the bottom of the fund financial statements.

Table 2
Changes in Net Assets
June 30, 2009

Revenues	<u>Governmental Activities</u>	
	<u>2008-2009</u>	<u>2007-2008</u>
Program Revenues:		
Charges for Services	\$ 658,572	\$ 349,941
Operating Contributions & Grants	373,061	987,257
Capital Contributions & Grants	<u>173,202</u>	<u>493,822</u>
Program Revenue Total	<u>1,204,835</u>	<u>1,831,020</u>
General Revenue:		
Taxes:		
Sales Taxes	212,281	241,718
Property Taxes	1,947,486	1,903,805
Franchise Taxes	237,104	213,695
Motor Vehicle in Lieu	54,993	47,255
Investment Income	30,876	58,214
Other	<u>31,117</u>	<u>223,744</u>
General Revenue Total	<u>2,513,857</u>	<u>2,688,431</u>
Total Revenues	<u>3,718,692</u>	<u>4,519,451</u>
Expenses		
General Government	964,900	1,023,511
Public Safety	1,087,108	1,224,440
Public Works	<u>1,003,246</u>	<u>783,269</u>
Total Expenses	<u>3,055,254</u>	<u>3,031,220</u>
Increase in net assets	<u>\$ 663,438</u>	<u>\$ 1,488,231</u>

- The increase in net assets for the fiscal year ending 2009 is mainly due to the timing of our sewer and street project expenditures that straddled FY 2008/09 and FY 2009/10.

GOVERNMENTAL ACTIVITIES

Table 3 presents the cost of each of the City's programs: General Government, Public Safety, and Public Works, 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.

Table 3
Net Cost of Government Activities
June 30, 2009

	<u>Governmental Activities</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Service</u>
General Government	\$ 964,900	(900,049)
Public Safety	1,087,108	(986,652)
Public Works	<u>1,003,246</u>	<u>36,282</u>
Total	<u>\$3,055,254</u>	<u>(1,850,419)</u>

General Government expenses comprise 31% of the governmental services expenses and include City Council, City Manager, City Attorney, City Clerk, Finance, and Support Services.

Expenses include personnel costs, office supplies, travel and meeting budgets, and all other operating costs for the year such as copier rental, cleaning services, etc. The revenues for Charges for Services, Operating Contributions & Grants, and Capital Contributions & Grants reduce the cost of these functions/programs.

Public Safety expenses comprise 36% of the governmental services expenses. Revenues from fines, fees, and forfeitures, and grants reduce the cost of these programs. The City of Villa Park contracts with the Orange County Sheriff's Department and the expenses include four and 1/6th of deputy positions, a portion of an investigator, and half of the cost of a Lieutenant who serves as the Chief of Police Services. Public Safety expenses mostly reflect the true cost of each deputy position, to include retirement and employee benefits, as well as expenses related to patrol cars and radio equipment.

Public Works expenses comprise 33% of the governmental services expenses. The Public Works department manages all street and traffic maintenance, capital improvement projects and any other major construction projects. This function also includes building, planning, and engineering expenses. As with General Government expenses, personnel costs and operating expenses are included in this percentage as are supplies for conducting public works and maintenance projects. Various building, planning, and engineering fees reduce the cost of this program and by far are the greatest ability of the City to recoup these costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end the City's Government Funds reported a combined Fund Balance of \$2,740,146. Sixty-three point two (63.2%) percent of this balance is within the General Fund. The City Council's policy of establishing a General Fund Reserve for contingencies, was established for Fiscal Year 2008/09 at \$718,704, and was met in 2008/2009. Furthermore, management was able to increase the General Fund Reserve balance to \$850,000 with additional Fund Balance Available in the General Fund at year end.

As has been observed in the past, the City's primary revenue sources can be affected by economic factors or legislative action. The City's largest revenue source is Secured Property Taxes. Taxes in general came in 1% above actual levels for the fiscal year ending June 30, 2008 with Secured Property Taxes coming in 1% higher than the year before. Building Permit activity is contingent upon residents pulling permits to renovate or reconstruct their homes. Often, this activity is reflective of the overall market for financing, costs of construction supplies and labor, and the turn over of homes from original or long-term homeowners to new owners desiring to upgrade the property to current standards. In the prior year revenues were primarily greater than the current year due to the receipt of the Prop 1B streets and road money received from the State in the amount of \$400,000.

Overall, the City's financial position remains fairly positive with a minor increase in available funding over the previous year as the net cost of service to the community is offset by alternative funding sources at this point. The reduced expenditures resulting from the sewer project re-budgeted in the Fiscal Year following the audit, the prior year recording two years worth of sewer projects, and a reduction in building service costs and other savings did increase the City's General Fund Reserve. However, there is a need to proactively and strategically seek to expand the revenues available to the City in addition to limiting expenditures beyond needed capital improvements. In light of the State Budget crisis and the Cannon Wall Failure of 2008, the City has taken a very conservative approach with it's budget projects for the next three years and has continued a Strategic Financial Planning process to help stay atop of this

concern. What is evident; however, from a review of the City's financial statements, is that the City has the ability to continue to deliver core services to its residents and to maintain a high quality of life through careful planning of public improvements and active solicitation of grant funding to offset net costs. The result is that overall Fund Balance Available at the end of any given Fiscal Year is dictated by the amount and extent of public work improvements undertaken during that year.

GENERAL FUND BUDGET HIGHLIGHTS

Revenues: Actual General Fund revenues exceeded the final budget by \$128,233. The additional revenues were a result of larger than expected increases in tax revenue, which was an increase over budget of \$104,320.

Expenditures: Actual General Fund expenditures were less than the final budget by \$195,828. This is due to the postponement of the Lemon Street capital improvement project to be completed in Fiscal Year 2010-2011 and the postponement of the Cannon Wall expenditures to be completed in Fiscal Year 2009-2010.

Ending Fund Balance: Ending Fund Balance exceeded the final budget by \$324,061, primarily due to the rescheduling of the above projects and the unanticipated excess of tax revenue received. Total General Fund Balance for the year increased from \$1,546,550 to \$1,731,629.

GAS TAX FUND BUDGET HIGHLIGHTS

Revenues: Actual revenues were less than the final budget by \$18,763. This was due to the State's withholding of the City's gas tax monies in the prior year and the budget reflected a larger estimate of gas tax repayment in the current fiscal year.

Expenditures: Actual expenditures were less than the final budget by \$88,043. This is due to the City being fiscally conservative and not spending beyond the monies that it anticipated receiving from the State, and the postponement of the Cannon Wall expenditures to be completed in Fiscal Year 2009-2010.

Ending Fund Balance: Ending Fund Balance exceeded the final budget by \$69,280, primarily due to the City matching its expenditures with revenues actually received within the year. Total General Fund Balance for the year decreased from \$438,854 to \$143,334, primarily due to the spending of the Prop 1B money from the State.

CITY SEWER IMPROVEMENT/MAINTENANCE FUND HIGHLIGHTS

Revenues: Actual revenues were less than the final budget by \$8,854 due to a timing difference of assessment collections on the tax roll at the completion of the fiscal year.

Expenditures: Actual expenditures were under budget by \$294,275, primarily due to the postponement of the annual sewer project to be completed in Fiscal Year 2009-2010.

Ending Fund Balance: Ending Fund Balance is greater than the final budget by \$285,421. These monies are restricted and available only for city-wide sewer improvements and maintenance costs that will be expended on the 08/09 sewer project to be completed in Fiscal Year 2009-2010.

CAPITAL IMPROVEMENTS FUND HIGHLIGHTS

Revenues: Actual revenues were under budget by \$107,798 due to the timing difference of the cost reimbursement OCTA GMA grant for \$210,000 for the completion of the Towne Centre realignment project.

Expenditures: Actual expenditures were under the budgeted amount by \$446,990 as several of the capital projects were postponed to future fiscal years, most significantly, the Cannon Wall project was postponed to Fiscal Year 2009-2010.

Ending Fund Balance: Ending Fund Balance was under the final budget by \$339,192 as a result of postponed capital projects. These monies are restricted and used for designated capital improvement projects.

NON-MAJOR GOVERNMENTAL FUNDS HIGHLIGHTS

Revenues: Actual revenues were less than the final budgeted amount by \$20,433, not including capital projects. This reduction is primarily due to the State withholding \$24,000 of the COPS annual SLESF funding.

Expenditures: Actual expenditures were less than budgeted by \$46,859, specifically in the COPS Fund. The main reason for the reduction is due to the lack of funding from the State; therefore, the City reduced its related expenditures.

Ending Fund Balance: Monies in the non-major governmental funds are restricted and available for specified governmental purposes, including, but not limited to, street projects, roadway improvement projects, and public safety services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the City had \$3,127,671 invested in a broad range of capital assets, including police equipment, land, construction in progress, vehicles, buildings, furniture and fixtures, office equipment, and infrastructure. (See Table 4).

Table 4
Capital Assets
June 30, 2009

<u>Asset Type</u>	<u>2009</u>
Land	\$ 10,000
Construction in Progress	1,273,599
Buildings	308,289
Vehicles	126,461
Tools & Equipment	74,221
Furniture & Fixtures	112,424
Office Equipment	51,957
Infrastructure	<u>1,645,050</u>
Total Assets	<u>3,602,001</u>
Less Depreciated Assets	<u>(474,330)</u>
Capital Asset Increase	<u>\$3,127,671</u>

Additions to capital assets were made in the amount of \$414,840. The additions were increases to construction in progress, tools and equipment, furniture and fixtures, and office equipment.

Additional information on the City's capital assets can be found in note 3 on page 36 of this report.

Long-term Liabilities

The City's outstanding long-term liabilities totaled \$52,867 as of June 30, 2009. The City's outstanding long-term liabilities increased by \$8,938 (20%) primarily due to the new City Manager's contractual hours of vacation and sick leave. (See Table 5)

Table 5
Long-term Liabilities
June 30, 2009

Compensated absences	<u>2009</u> <u>\$ 52,867</u>
Total long-term liabilities	<u>\$ 52,867</u>

Additional information on the City's capital long term debt can be found in note 5 on page 38 of this report.

Contacting the City's Financial Management Team

This financial report in total (the audited financials included) is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. In reviewing this document and the City's Budget documents, you will hopefully gain an understanding of how the City utilizes taxpayer's money and other funds to operate.

If you have questions about this report or need additional financial information, contact the City's Finance Department, City of Villa Park, 17855 Santiago Boulevard, Villa Park, CA 92861, or call (714) 998-1500.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF VILLA PARK
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
ASSETS	
Cash and investments (note 2)	\$ 2,855,825
Receivables:	
Taxes	48,285
Accounts	15,400
Interest	7,582
Due from other governments	44,248
Prepaid expenses	54,222
Capital assets (note 3):	
Capital assets, not being depreciated	1,283,599
Capital assets being depreciated, net of accumulated depreciation	1,844,072
TOTAL ASSETS	6,153,233
LIABILITIES	
Accounts payable	64,485
Deposits	200,951
Long-term liabilities:	
Portion due within one year:	
Compensated absences (note 5)	1,500
Portion due beyond one year:	
Compensated absences (note 5)	51,367
TOTAL LIABILITIES	318,303
Net assets:	
Invested in capital assets	3,127,671
Restricted for:	
Public safety	134,182
Public works	874,335
Unrestricted	1,698,742
TOTAL NET ASSETS	\$ 5,834,930

See accompanying notes to the basic financial statements.

CITY OF VILLA PARK
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Revenue and Changes in Net Assets</u>
Expenses:					
General government	\$ 964,900	64,851	-	-	(900,049)
Public safety	1,087,108	-	100,456	-	(986,652)
Public works	1,003,246	593,721	272,605	173,202	36,282
Total	<u>\$ 3,055,254</u>	<u>658,572</u>	<u>373,061</u>	<u>173,202</u>	<u>(1,850,419)</u>
General revenues:					
Taxes:					
Property taxes					1,947,486
Sales taxes					212,281
Franchise taxes					237,104
Motor vehicle in lieu, unrestricted					54,993
Investment income					30,876
Other					31,117
TOTAL GENERAL REVENUES AND TRANSFERS					<u>2,513,857</u>
Change in net assets					663,438
NET ASSETS AT BEGINNING OF YEAR					<u>5,171,492</u>
NET ASSETS AT END OF YEAR					<u>\$ 5,834,930</u>

See accompanying notes to the basic financial statements.

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FUND FINANCIAL STATEMENTS

CITY OF VILLA PARK
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2009

	General Fund	Special Revenue		Capital Project	Nonmajor Governmental Funds	Totals
		Gas Tax	City Sewer Improvement/ Maintenance	Capital Improvement		
ASSETS						
Cash and investments	\$ 1,871,988	143,036	341,409	94,833	384,579	2,835,845
Receivables:						
Taxes	43,089	-	5,196	-	-	48,285
Accounts	15,400	-	-	-	-	15,400
Interest	5,083	298	914	190	1,097	7,582
Due from other governments	5,573	-	-	-	38,675	44,248
Prepaid expenses	54,222	-	-	-	-	54,222
TOTAL ASSETS	\$ 1,995,355	143,334	347,519	95,023	424,351	3,005,582
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 62,775	-	1,650	-	60	64,485
Deposits payable	200,951	-	-	-	-	200,951
TOTAL LIABILITIES	263,726	-	1,650	-	60	265,436
Fund Balances:						
Reserved for:						
Prepays	54,222	-	-	-	-	54,222
Unreserved, reported in:						
General fund	1,677,407	-	-	-	-	1,677,407
Special revenue funds	-	143,334	345,869	-	424,291	913,494
Capital project fund	-	-	-	95,023	-	95,023
TOTAL FUND BALANCES	1,731,629	143,334	345,869	95,023	424,291	2,740,146
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,995,355	143,334	347,519	95,023	424,351	3,005,582

See accompanying notes to the basic financial statements.

CITY OF VILLA PARK
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2009

FUND BALANCES OF GOVERNMENTAL FUNDS \$ 2,740,146

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

Capital assets, net of depreciation, have not been included
as financial resources in governmental fund activity.

CAPITAL ASSETS	3,602,001
ACCUMULATED DEPRECIATION	(474,330)

Long-term liabilities applicable to governmental activities are not due
and payable in the current period and, accordingly, are not reported as
governmental fund liabilities. All liabilities (both current and long-term)
are reported in the Statement of Net Assets.

COMPENSATED ABSENCES	(52,867)
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Internal Service Funds are used by management to charge the costs of certain
activities to individual funds. The assets and liabilities of the Internal Service
Funds must be added to the Statement of Net Assets since revenue recognition
is not based upon measurable and available criteria.

CASH AND INVESTMENTS	<u>19,980</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,834,930</u>

See accompanying notes to the basic financial statements.

CITY OF VILLA PARK
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	General Fund	Special Revenue		Capital Project	Nonmajor Governmental Funds	Totals
		Gas Tax	City Sewer Improvement/ Maintenance	Capital Improvement		
REVENUES						
Taxes	\$ 2,196,320	-	-	-	-	2,196,320
Intergovernmental	57,410	135,277	412,769	262,933	273,389	1,141,778
Special assessments	-	-	-	-	15,155	15,155
Licenses and permits	368,861	-	-	-	-	368,861
Fines and forfeitures	18,224	-	-	-	21,119	39,343
Rental and investment income	30,877	4,829	3,377	269	8,604	47,956
Charges for services	35,882	-	-	-	-	35,882
Miscellaneous	33,159	7,831	-	-	-	40,990
TOTAL REVENUES	2,740,733	147,937	416,146	263,202	318,267	3,886,285
EXPENDITURES						
Current:						
General government	944,402	-	-	-	-	944,402
Public safety	991,231	-	-	-	94,290	1,085,521
Public works	339,133	162,486	41,137	-	401,718	944,474
Capital Outlay	299,888	7,271	87,697	26,210	21,533	442,599
Total expenditures	2,574,654	169,757	128,834	26,210	517,541	3,416,996
Excess (deficiency) of revenues over (under) expenditures	166,079	(21,820)	287,312	236,992	(199,274)	469,289
Other financing sources (uses):						
Transfers in (note 9)	19,000	-	-	71,000	202,700	292,700
Transfers out (note 9)	-	(273,700)	-	-	(19,000)	(292,700)
TOTAL OTHER FINANCING SOURCES (USES)	19,000	(273,700)	-	71,000	183,700	-
NET CHANGE IN FUND BALANCES	185,079	(295,520)	287,312	307,992	(15,574)	469,289
FUND BALANCES AT BEGINNING OF YEAR, as restated (note 11)	1,546,550	438,854	58,557	(212,969)	439,865	2,270,857
FUND BALANCES AT END OF YEAR	\$ 1,731,629	143,334	345,869	95,023	424,291	2,740,146

See accompanying notes to the basic financial statements.

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

Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 469,289

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	414,840
Depreciation expense	(42,651)
Disposal of capital assets	(17)

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

Compensated absences - current year accrual	(8,938)
---	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	(167,576)
---	-----------

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with governmental activities.

CHANGES IN FUND NET ASSETS OF INTERNAL SERVICE FUND	(1,509)
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CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 663,438
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See accompanying notes to the basic financial statements.

CITY OF VILLA PARK
PROPRIETARY FUND

STATEMENT OF FUND NET ASSETS

June 30, 2009

**Governmental Activities -
Internal Service
Employee Benefits Fund**

ASSETS	
Current assets:	
Cash and investments	\$ 19,980
	<hr/>
TOTAL ASSETS	19,980
	<hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	-
	<hr/>
Total liabilities	-
	<hr/>
FUND NET ASSETS	
Unrestricted	19,980
	<hr/>
TOTAL FUND NET ASSETS	\$ 19,980
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

CITY OF VILLA PARK
PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2009

	<u>Governmental Activities - Internal Service Employee Benefits Fund</u>
OPERATING REVENUES	
Charges for services	\$ 121,622
TOTAL OPERATING REVENUES	<u>121,622</u>
Operating expenses:	
Employee benefits	<u>123,131</u>
TOTAL OPERATING EXPENSES	<u>123,131</u>
Operating loss	(1,509)
FUND NET ASSETS AT BEGINNING OF YEAR	<u>21,489</u>
FUND NET ASSETS AT END OF YEAR	<u><u>\$ 19,980</u></u>

See accompanying notes to the basic financial statements.

**CITY OF VILLA PARK
PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

Year Ended June 30, 2009

**Governmental Activities -
Internal Service
Employee Benefits Fund**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from internal users	\$ 121,622
Cash payments for employee services	<u>(123,131)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(1,509)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from other funds	<u>-</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>-</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>-</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>-</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1,509)

Cash and cash equivalents at beginning of year	21,489
Cash and cash equivalents at end of year	<u>\$ 19,980</u>

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (1,509)</u>
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:	
TOTAL ADJUSTMENTS	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (1,509)</u>

Noncash capital, financing, or investing activities

There were no noncash capital, financing or investing activities for the year ended June 30, 2009.

See accompanying notes to the basic financial statements.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2009

(1) Summary of Significant Accounting Policies

The financial statements of the City of Villa Park, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. 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) Reporting Entity

The City of Villa Park was incorporated in 1962 under the general laws of the State of California. The City operates under the Council/City Manager form of government.

The accompanying basic financial statements include only the financial activities of the City of Villa Park. The Villa Park Community Access Television Corporation and the Villa Park Community Services Foundation are component units of the City of Villa Park. Neither entity's activities were significant to the financial position of the City of Villa Park and therefore were not audited separately for inclusion in this report. There are no other governmental entities that qualify for inclusion in this reporting entity.

(b) Measurement Focus and Basis of Accounting

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements - Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. The *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transaction were recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

Fund financial statements for the primary government's governmental and proprietary fund are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Governmental Funds - In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City considers all revenues available if they are collected within 60 days after year end. Significant revenues subject to accrual under the measurable and available criteria include property taxes, sales taxes and motor vehicle in-lieu taxes.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived* tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases

CITY OF VILLA PARK

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate them; however, that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary Funds - The City's Internal Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the City's proprietary fund is charges for service. Operating

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

expenses include the cost of services provided and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(c) Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB 34. The City reports the following major governmental funds:

General Fund – To account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

Gas Tax Fund – To account for revenue received for gasoline taxes under Sections 2105, 2106, 2107 and 2107.5 of the Street and Highway Code and State funded Proposition 1B monies to be used solely for transportation related purposes.

City Sewer Improvement/Maintenance Fund – To account for revenue received from the Sewer Service User Charge assessed to all parcels of land connected to the sanitary sewer system and collected on the property tax bill.

Capital Improvement Fund – To account for financial resources segregated for City capital improvement projects.

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

Internal Service Fund – The Employee Benefits Internal Service Fund is used to account for the payment of various employee benefits for City employees.

(d) Interfund Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

(e) **Cash and Investments**

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Rental and investment income* includes rental income, interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average monthly cash and investment balance.

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

(f) **Property Tax**

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas.

Accordingly, the City accrues only those taxes that are received within 60 days after year-end. Property taxes are attached as a lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10.

(g) **Compensated Absences**

All full-time employees with up to 5 years of service with the City earn 12 days per year vacation. Employees with 5 to 10 years of service earn 15 days per year vacation. One additional day of vacation is earned from years 11 to 15 to a maximum of 20 days vacation per year. Sick leave is earned at a rate of 2 days per calendar quarter (8 days annually), up to a maximum of 60 days of regular pay.

In accordance with GASB Statement No. 16, a liability is recorded for compensated absences (unused vacation and similar compensatory leave balances) since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(g) Compensated Absences, (Continued)

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

The General Fund typically has been used to liquidate the liability for compensated absences.

(h) Capital Assets

Acquisitions of capital assets (including current year infrastructure additions) are recorded at historical cost at the time of purchase. Donated capital assets are recorded at their fair market value at the time received.

Generally, capital asset acquisitions of furniture and equipment in excess of \$2,500 and building or facility improvements in excess of \$10,000 are capitalized if they have an expected useful life of one year or more.

Capital assets currently include only the completed storm drain additions in fiscal year 2003-2004 and pavement improvements in fiscal year 2004-2005, 2005-2006, 2006-2007, 2007-2008, and 2008-2009. The City may optionally capitalize other infrastructure assets acquired prior to fiscal year ended June 30, 2004 in subsequent years, but is not required to do so.

Capital assets used in operations are depreciated in the government-wide financial statements. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and charged to operations:

Buildings and improvements	50 years
Machinery and equipment	5 to 10 years
Vehicles	5 years
Furniture and fixtures	5 years
Infrastructure:	
Storm drain lines	75 years
Pavement	75 years

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(i) Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The fund balances in the governmental fund statements have been reserved for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

(j) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	<u>\$2,855,825</u>
Total cash and investments	<u>\$2,855,825</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 400
Deposits with financial institutions	140,223
Investments	<u>2,715,202</u>
Total cash and investments	<u>\$2,855,825</u>

CITY OF VILLA PARK

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (Continued)

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	10%	5%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
County Pooled Investment Funds	Yes	N/A	33%	None
Local Agency Investment Fund	Yes	N/A	80%	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Disclosures Relating to Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by maintaining a significant portion of City investments in short-term investments with the State investment pool (LAIF) and the County investment pool, which provides adequate cash flow and liquidity as needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(2) **Cash and Investments (Continued)**

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
State investment pool	\$2,058,300	2,058,300	-	-	-
County investment pool	<u>656,902</u>	<u>656,902</u>	-	-	-
Total	<u>\$2,715,202</u>	<u>2,715,202</u>	-	-	-

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
State investment pool	\$2,058,300	N/A	-	-	-	2,058,300
County investment pool	<u>656,902</u>	N/A	-	-	-	<u>656,902</u>
Total	<u>\$2,715,202</u>		-	-	-	<u>2,715,202</u>

Concentration of Credit Risk - 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. The City did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of 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-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(2) **Cash and Investments (Continued)**

deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 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.

Investment in County Investment Pool - The City is a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the Orange County Treasurer-Tax Collector. 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 the OCIP for the entire the OCIP portfolio. The balance available for withdrawal is based on the accounting records maintained by OCIP, which are recorded on an amortized cost basis.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(3) Capital Assets

A summary of capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Balance at</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2009</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in progress	<u>920,807</u>	<u>352,792</u>	<u>-</u>	<u>1,273,599</u>
Total capital assets not being depreciated	<u>930,807</u>	<u>352,792</u>	<u>-</u>	<u>1,283,599</u>
Capital assets being depreciated:				
Buildings	308,289	-	-	308,289
Vehicles	126,461	-	-	126,461
Tools and equipment	52,318	21,903	-	74,221
Furniture and fixtures	84,245	36,788	(8,609)	112,424
Office equipment	52,493	3,357	(3,893)	51,957
Infrastructure	<u>1,645,050</u>	<u>-</u>	<u>-</u>	<u>1,645,050</u>
Total capital assets being depreciated	<u>2,268,856</u>	<u>62,048</u>	<u>(12,502)</u>	<u>2,318,402</u>
Less accumulated depreciation for:				
Buildings	(115,550)	(6,166)	-	(121,716)
Vehicles	(114,108)	(8,293)	-	(122,401)
Tools and equipment	(49,351)	(2,266)	-	(51,617)
Furniture and fixtures	(82,813)	(2,398)	8,609	(76,602)
Office equipment	(50,060)	(1,594)	3,876	(47,778)
Infrastructure	<u>(32,282)</u>	<u>(21,934)</u>	<u>-</u>	<u>(54,216)</u>
Total accumulated depreciation	<u>(444,164)</u>	<u>(42,651)</u>	<u>12,485</u>	<u>(474,330)</u>
Total capital assets being depreciated, net	<u>1,824,692</u>	<u>19,397</u>	<u>(17)</u>	<u>1,844,072</u>
Governmental activity capital assets, net	<u>\$2,755,499</u>	<u>372,189</u>	<u>(17)</u>	<u>3,127,671</u>

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(3) Capital Assets (Continued)

Depreciation expense was charged to functions for the year ended June 30, 2009 as follows:

Governmental activities:		
General government		\$ 15,362
Public safety		1,587
Public works		<u>25,702</u>
Total governmental activities		<u>\$ 42,651</u>

(4) Construction Commitments

As of June 30, 2009, budgeted funds committed for major capital projects included the following:

	<u>Project Budget</u>	<u>Expenditures To Date</u>	<u>Unexpended Balance</u>
Lemon Street	\$ 1,575,500	127,106	1,448,394
Loma Street	320,000	20,823	299,177
Taft Street	375,000	69,099	305,901
Civic Center	125,000	5,600	119,400
Sewer Improvement Project	1,008,000	803,295	204,705
Cannon Wall Failure 2008	600,000	136,784	463,216
Towne Centre Realignment	210,000	33,895	176,105
Safe Route to Schools	157,000	21,344	135,656
Federal Stimulus – Santiago & Lemon	550,000	39,820	510,180
Mesa Drive Guardrail	<u>227,000</u>	<u>15,834</u>	<u>211,166</u>
Total	<u>\$ 5,147,500</u>	<u>1,273,600</u>	<u>3,873,900</u>

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Balance at</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2009</u>	<u>Portion Due</u> <u>Within One Year</u>
<u>Governmental Activities:</u>					
Compensated absences	\$ 43,929	34,434	(25,496)	52,867	1,500
Total long-term liabilities	<u>\$ 43,929</u>	<u>34,434</u>	<u>(25,496)</u>	<u>52,867</u>	<u>1,500</u>

(6) Defined Benefit Pension Plan

Plan Description

The City of Villa Park contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The City's covered payroll for PERS was \$299,381 for the year ended June 30, 2009, while the City's total payroll for all employees was \$325,096 during the same period. In order to calculate the

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(6) Defined Benefit Pension Plan (Continued)

dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, this contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009.

Three-Year Trend Information

Annual Pension Cost (Miscellaneous)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	18.959%	\$72,749	100%	-0-
6/30/08	20.162%	65,240	100%	-0-
6/30/07	18.363%	51,269	100%	-0-

(7) Liability, Property and Workers' Compensation Protection

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 coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-Insurance Programs of the Authority

General liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of the 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 up to \$750,000 are pooled based on a

CITY OF VILLA PARK

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(7) Liability, Property and Workers' Compensation Protection (Continued)

member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies (4b) subject to a \$3,000,000 annual aggregate deductible (4c) and a quota-sharing agreement whereby the Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c 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. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

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; (b) 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; (c) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; and (4) losses from \$2,000,000 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.

C. Purchased Insurance

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's currently has all-risk property insurance protection in the amount of \$1,478,155. There is a \$5,000 deductible per occurrence, except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

CITY OF VILLA PARK

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(7) **Liability, Property and Workers' Compensation Protection (Continued)**

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. 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 sub-limit during the 3-year term of the policy.

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 currently has earthquake protection in the amount of \$1,264,025. There is a deductible of 5% 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 a \$2,500 deductible. The fidelity coverage is provided through 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 the City's 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 VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(8) Fund Balances

The City establishes "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" are established to indicate tentative plans for financial resource utilization in a future period. Each of the City's reserves and designations are described below:

	<u>General</u> <u>Fund</u>	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
		<u>Gas Tax</u>	<u>City Sewer</u> <u>Improvement/</u> <u>Maintenance</u>	<u>Capital</u> <u>Improvement</u>		
Reserved for:						
Prepaid	\$ 54,222	-	-	-	-	54,222
Unreserved:						
Undesignated	827,407	143,334	345,869	95,023	424,291	1,835,924
Designated for:						
Contingencies	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,000</u>
	<u>\$1,731,629</u>	<u>143,334</u>	<u>345,869</u>	<u>95,023</u>	<u>424,291</u>	<u>2,740,146</u>

(9) Transfers In/Transfers Out

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 19,000 (a)
Capital Improvement Fund	Gas Tax Fund	71,000 (b)
Non-Major Governmental Funds	Gas Tax Fund	<u>202,700 (c)</u>
Total Transfers		<u>\$ 292,700</u>

(a) The California Law Enforcement Equipment Program Fund transferred \$19,000 to the General Fund to reimburse the General Fund for purchases of law enforcement equipment.

(b) The Gas Tax Fund transferred \$71,000 to the Capital Improvement Fund for pavement rehabilitation to Villa Park Road that was completed during fiscal year ended June 30, 2008.

(c) The Gas Tax Fund transferred \$132,700 and \$70,000 of Proposition 1B funds to the Aid to Cities Fund and Measure M Fund respectively. The transfer was made for various road improvement capital projects.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(10) Joint Venture - Orange County Fire Authority

The City of Villa Park entered into a joint powers agreement with seventeen other cities and the County of Orange in January 1995, and subsequently amended on September 23, 1999, to create the Orange County Fire Authority (the Authority). Since 1995, other cities within the County have also joined the Authority to bring the total members in the Authority to twenty-two. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, hazardous materials regulation as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through either the property tax roll or with cash contributions based on the Authority's annual budget. The County pays all structural fire fees it collects to the Authority. The City of Villa Park has no ongoing financial responsibility.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2009. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership. The following audited financial data is presented as of and for the year ended June 30, 2008 (the most recent data available).

	<u>Governmental Activities</u>
Total Assets	<u>\$351,457,101</u>
Total Liabilities	<u>\$ 56,245,536</u>
Total Revenues	\$287,677,929
Total Expenses	<u>239,576,051</u>
Changes in Net Assets	48,101,878
Net Assets, Beginning, as restated	<u>247,109,687</u>
Net Assets, Ending	<u>\$295,211,565</u>

Complete financial statements may be obtained from the Orange County Fire Authority, 1 Fire Authority Road, Irvine, California 92602.

CITY OF VILLA PARK
NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

(11) Restatement of Net Assets/Fund Balance

The June 30, 2009 fund balances in the fund financial statements have been restated as follows:

	Nonmajor Special Revenue Funds	
	Citizens Option for Public Safety <u>Fund</u>	California Law Enforcement Equipment Program <u>Fund</u>
Fund balance at the beginning of the year, as previously reported	\$148,476	-
To reflect California Law Enforcement Equipment Program activity in a separate fund	<u>(117,985)</u>	<u>117,985</u>
Fund balance at the beginning of the year, as restated	<u>\$ 30,491</u>	<u>117,985</u>

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of the general services by the City. The General Fund is generally used to account for all the resources not required to be accounted for in another fund. The budget-actual comparison for this fund has been presented in the accompanying financial statements as *required supplementary information*.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to be spent for particular purposes. The following has been classified as the major Special Revenue Fund and the budget-actual comparison for this fund has been presented in the accompanying financial statements as *required supplementary information*.

Gas Tax Fund - To account for revenue received for gasoline taxes under Sections 2105, 2106, 2107 and 2107.5 of the Street and Highway Code and State funded Proposition 1B monies to be used solely for transportation related purposes.

City Sewer Improvement/Maintenance Fund – To account for revenue received from the Sewer Service User Charge assessed to all parcels of land connected to the sanitary sewer system and collected on the property tax bill.

CITY OF VILLA PARK

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2009

(1) **Budgetary Control and Accounting**

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying financial statements:

- Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Capital Projects Funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.
- Reported budget amounts represent the original legally adopted budget as amended. Individual amendments were not material in relation to the original adopted budget amounts. The City Council may amend the budget to increase appropriations only by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B of the State Constitution. Management can transfer, without City Council approval, budgeted amounts at the category level, provided that they do not increase or decrease total fund appropriations adopted by City Council.
- In the case of the General, Special Revenue and Capital Projects Funds, unexpended budgeted amounts, except for amounts relating to Capital Projects, lapse at the end of the budget year. Spending control for the funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels.

Expenditures may not legally exceed budgeted appropriations at the fund level. Reserves for encumbrances are not recorded by the City.

**CITY OF VILLA PARK
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 2,073,000	2,092,000	2,196,320	104,320	2,183,560
Intergovernmental	53,500	54,000	57,410	3,410	49,075
Licenses and permits	397,700	350,000	368,861	18,861	424,466
Fines and forfeitures	14,000	19,000	18,224	(776)	23,001
Rental and investment income	37,300	37,300	30,877	(6,423)	58,214
Charges for services	42,600	38,200	35,882	(2,318)	47,199
Miscellaneous	15,500	22,000	33,159	11,159	255,012
TOTAL REVENUES	<u>2,633,600</u>	<u>2,612,500</u>	<u>2,740,733</u>	<u>128,233</u>	<u>3,040,527</u>
EXPENDITURES					
Current:					
General government	888,700	977,802	944,402	33,400	967,099
Public safety	1,045,200	1,035,000	991,231	43,769	991,496
Public works	598,800	350,821	339,133	11,688	416,848
Capital outlay	702,500	406,859	299,888	106,971	233,874
Total expenditures	<u>3,235,200</u>	<u>2,770,482</u>	<u>2,574,654</u>	<u>195,828</u>	<u>2,609,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(601,600)</u>	<u>(157,982)</u>	<u>166,079</u>	<u>324,061</u>	<u>431,210</u>
Other financing sources (uses):					
Transfers in	-	19,000	19,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(601,600)</u>	<u>(138,982)</u>	<u>185,079</u>	<u>324,061</u>	<u>431,210</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>1,546,550</u>	<u>1,546,550</u>	<u>1,546,550</u>	<u>-</u>	<u>1,115,340</u>
END OF YEAR	<u>\$ 944,950</u>	<u>1,407,568</u>	<u>1,731,629</u>	<u>324,061</u>	<u>1,546,550</u>

**CITY OF VILLA PARK
GAS TAX FUND**

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Intergovernmental	\$ 154,700	154,700	135,277	(19,423)	476,477
Rent and investment income	2,500	4,000	4,829	829	7,886
Miscellaneous	-	8,000	7,831	(169)	-
Total revenues	<u>157,200</u>	<u>166,700</u>	<u>147,937</u>	<u>(18,763)</u>	<u>484,363</u>
EXPENDITURES					
Current:					
Public works	148,600	162,800	162,486	314	178,961
Capital outlay	-	95,000	7,271	87,729	-
Total expenditures	<u>148,600</u>	<u>257,800</u>	<u>169,757</u>	<u>88,043</u>	<u>178,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,600</u>	<u>(91,100)</u>	<u>(21,820)</u>	<u>69,280</u>	<u>305,402</u>
Other financing sources (uses):					
Transfers out	-	(273,700)	(273,700)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(273,700)</u>	<u>(273,700)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>8,600</u>	<u>(364,800)</u>	<u>(295,520)</u>	<u>69,280</u>	<u>305,402</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>438,854</u>	<u>438,854</u>	<u>438,854</u>	<u>-</u>	<u>133,452</u>
FUND BALANCES AT END OF YEAR	<u>\$ 447,454</u>	<u>74,054</u>	<u>143,334</u>	<u>69,280</u>	<u>438,854</u>

**CITY OF VILLA PARK
CITY SEWER IMPROVEMENT/MAINTENANCE SPECIAL REVENUE FUND**

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Intergovernmental	\$ 420,000	420,000	412,769	(7,231)	407,337
Rent and investment income	5,000	5,000	3,377	(1,623)	9,614
Total revenues	<u>425,000</u>	<u>425,000</u>	<u>416,146</u>	<u>(8,854)</u>	<u>416,951</u>
EXPENDITURES					
Current:					
Public works	96,000	98,109	41,137	56,972	46,756
Capital outlay	325,000	325,000	87,697	237,303	682,190
Total expenditures	<u>421,000</u>	<u>423,109</u>	<u>128,834</u>	<u>294,275</u>	<u>728,946</u>
Net change in fund balances	4,000	1,891	287,312	285,421	(311,995)
FUND BALANCES AT BEGINNING OF YEAR	<u>58,557</u>	<u>58,557</u>	<u>58,557</u>	<u>-</u>	<u>370,552</u>
FUND BALANCES AT END OF YEAR	<u>\$ 62,557</u>	<u>60,448</u>	<u>345,869</u>	<u>285,421</u>	<u>58,557</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City of Villa Park has eight Special Revenue Funds classified as nonmajor:

Traffic Safety Fund - To account for revenue received from traffic fines levied by County Municipal Courts. These funds are to be used for public safety purposes only.

Aid to Cities Fund - To account for revenue received from federal, state, county and other local agencies. To be used for specified projects and programs.

Measure M Fund - To account for revenue received from the County's ½% local sales tax for transportation and street maintenance purposes.

Street Improvements Fund - To account for revenue received from property owners and developers to be used solely for street improvements.

Sewer Pump Maintenance Fund - To account for revenue received from fees assessed for specified programs and projects. The Sewer Pump Maintenance District #1 is comprised of sixteen residential parcels on Sycamore Circle.

Air Quality Management Fund (AQMD) - To account for revenues received from the South Coast Air Quality Maintenance District to implement air quality improvement policies and programs.

Citizens Option for Public Safety Fund – To account for revenue received from the State of California for front line public safety purposes.

California Law Enforcement Equipment Program Fund – To account for revenue received from the State of California for technology and equipment purchased for public safety purposes.

CAPITAL PROJECTS FUND

The Capital Project Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The following has been classified as a major Capital Project Fund and the budget-actual comparison for this fund has been presented in the accompanying financial statements as *required supplementary information*.

Capital Improvement Fund – To account for financial resources segregated for City capital improvement project.

CITY OF VILLA PARK
NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2009

(With comparative totals for prior year)

	<u>Traffic Safety</u>	<u>Aid to Cities</u>	<u>Measure M</u>	<u>Street Improvements</u>
<u>ASSETS</u>				
Cash and investments	\$ -	103,251	19,387	114,276
Receivables:				
Interest	60	374	193	-
Due from other governments	1,123	12,647	9,145	-
	<u>\$ 1,183</u>	<u>116,272</u>	<u>28,725</u>	<u>114,276</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved, reported in Special Revenue Funds	1,183	116,272	28,725	114,276
	<u>1,183</u>	<u>116,272</u>	<u>28,725</u>	<u>114,276</u>
TOTAL FUND BALANCES	<u>1,183</u>	<u>116,272</u>	<u>28,725</u>	<u>114,276</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,183</u>	<u>116,272</u>	<u>28,725</u>	<u>114,276</u>

<u>Sewer Pump Maintenance</u>	<u>Air Quality Management</u>	<u>Citizens Option for Public Safety</u>	<u>California Law Enforcement Equipment Program</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
24,675	6,141	27,981	88,868	384,579	423,077
66	14	78	312	1,097	2,021
-	-	15,760	-	38,675	59,767
<u>24,741</u>	<u>6,155</u>	<u>43,819</u>	<u>89,180</u>	<u>424,351</u>	<u>484,865</u>
60	-	-	-	60	-
60	-	-	-	60	45,000
<u>24,681</u>	<u>6,155</u>	<u>43,819</u>	<u>89,180</u>	<u>424,291</u>	<u>439,865</u>
<u>24,681</u>	<u>6,155</u>	<u>43,819</u>	<u>89,180</u>	<u>424,291</u>	<u>439,865</u>
<u>24,741</u>	<u>6,155</u>	<u>43,819</u>	<u>89,180</u>	<u>424,351</u>	<u>484,865</u>

**CITY OF VILLA PARK
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

Year Ended June 30, 2009

(With comparative totals for prior year)

	<u>Traffic Safety</u>	<u>Aid to Cities</u>	<u>Measure M</u>	<u>Street Improvements</u>
REVENUES				
Intergovernmental	\$ -	128,970	61,982	-
Special assessments	-	-	-	-
Fines and forfeitures	21,119	-	-	-
Rental and investment income	281	2,014	2,500	-
Charges for services	-	-	-	-
TOTAL REVENUES	<u>21,400</u>	<u>130,984</u>	<u>64,482</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	24,606	-	-	-
Public works	-	176,702	218,000	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>24,606</u>	<u>176,702</u>	<u>218,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,206)</u>	<u>(45,718)</u>	<u>(153,518)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	-	132,700	70,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>132,700</u>	<u>70,000</u>	<u>-</u>
Net change in fund balances	(3,206)	86,982	(83,518)	-
FUND BALANCES AT BEGINNING OF YEAR, as restated	<u>4,389</u>	<u>29,290</u>	<u>112,243</u>	<u>114,276</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,183</u>	<u>116,272</u>	<u>28,725</u>	<u>114,276</u>

<u>Sewer Pump Maintenance</u>	<u>Air Quality Management</u>	<u>Citizens Option for Public Safety</u>	<u>California Law Enforcement Equipment Program</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
-	6,594	75,843	-	273,389	369,950
15,155	-	-	-	15,155	12,313
-	-	-	-	21,119	24,358
412	184	642	2,571	8,604	14,060
-	-	-	-	-	1,531
<u>15,567</u>	<u>6,778</u>	<u>76,485</u>	<u>2,571</u>	<u>318,267</u>	<u>422,212</u>
-	-	63,157	6,527	94,290	231,347
6,621	395	-	-	401,718	92,023
<u>5,479</u>	<u>10,205</u>	<u>-</u>	<u>5,849</u>	<u>21,533</u>	<u>147,734</u>
<u>12,100</u>	<u>10,600</u>	<u>63,157</u>	<u>12,376</u>	<u>517,541</u>	<u>471,104</u>
<u>3,467</u>	<u>(3,822)</u>	<u>13,328</u>	<u>(9,805)</u>	<u>(199,274)</u>	<u>(48,892)</u>
-	-	-	-	202,700	-
-	-	-	(19,000)	(19,000)	-
-	-	-	(19,000)	183,700	-
3,467	(3,822)	13,328	(28,805)	(15,574)	(48,892)
<u>21,214</u>	<u>9,977</u>	<u>30,491</u>	<u>117,985</u>	<u>439,865</u>	<u>488,757</u>
<u>24,681</u>	<u>6,155</u>	<u>43,819</u>	<u>89,180</u>	<u>424,291</u>	<u>439,865</u>

**CITY OF VILLA PARK
TRAFFIC SAFETY FUND**

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	<u>2009</u>			Variance with Final Budget Positive (Negative)	<u>2008 Actual</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		
REVENUES					
Fines and forfeitures	\$ 27,000	24,000	21,119	(2,881)	24,358
Rent and investment income	300	300	281	(19)	537
TOTAL REVENUES	<u>27,300</u>	<u>24,300</u>	<u>21,400</u>	<u>(2,900)</u>	<u>24,895</u>
EXPENDITURES					
Current:					
Public safety	<u>30,000</u>	<u>28,000</u>	<u>24,606</u>	<u>3,394</u>	<u>25,800</u>
TOTAL EXPENDITURES	<u>30,000</u>	<u>28,000</u>	<u>24,606</u>	<u>3,394</u>	<u>25,800</u>
Net change in fund balances	(2,700)	(3,700)	(3,206)	494	(905)
FUND BALANCES AT BEGINNING OF YEAR	<u>4,389</u>	<u>4,389</u>	<u>4,389</u>	-	<u>5,294</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,689</u>	<u>689</u>	<u>1,183</u>	<u>494</u>	<u>4,389</u>

**CITY OF VILLA PARK
AID TO CITIES FUND**

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Intergovernmental	\$ 119,000	130,000	128,970	(1,030)	192,377
Rent and investment income	200	800	2,014	1,214	175
TOTAL REVENUES	<u>119,200</u>	<u>130,800</u>	<u>130,984</u>	<u>184</u>	<u>192,552</u>
EXPENDITURES					
Current:					
Public works	138,700	180,200	176,702	3,498	52,501
Capital outlay	-	6,500	-	6,500	146,095
TOTAL EXPENDITURES	<u>138,700</u>	<u>186,700</u>	<u>176,702</u>	<u>9,998</u>	<u>198,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,500)</u>	<u>(55,900)</u>	<u>(45,718)</u>	<u>10,182</u>	<u>(6,044)</u>
Other financing sources (uses):					
Transfers in	-	132,700	132,700	-	-
Total other financing sources (uses)	<u>-</u>	<u>132,700</u>	<u>132,700</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(19,500)	76,800	86,982	10,182	(6,044)
FUND BALANCE AT BEGINNING OF YEAR	<u>29,290</u>	<u>29,290</u>	<u>29,290</u>	<u>-</u>	<u>35,334</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,790</u>	<u>106,090</u>	<u>116,272</u>	<u>10,182</u>	<u>29,290</u>

CITY OF VILLA PARK
MEASURE M FUND

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Intergovernmental	\$ 75,000	55,000	61,982	6,982	70,116
Rent and investment income	1,000	2,200	2,500	300	4,046
TOTAL REVENUES	76,000	57,200	64,482	7,282	74,162
EXPENDITURES					
Current:					
Public works	70,000	218,000	218,000	-	32,981
Total expenditures	70,000	218,000	218,000	-	32,981
Excess (deficiency) of revenues over (under) expenditures	6,000	(160,800)	(153,518)	7,282	41,181
Other financing sources (uses):					
Transfers in	-	70,000	70,000	-	-
Total other financing sources (uses)	-	70,000	70,000	-	-
Net change in fund balances	6,000	(90,800)	(83,518)	7,282	41,181
FUND BALANCES AT BEGINNING OF YEAR	112,243	112,243	112,243	-	71,062
FUND BALANCES AT END OF YEAR	\$ 118,243	21,443	28,725	7,282	112,243

**CITY OF VILLA PARK
STREET IMPROVEMENTS FUND**

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Charges for services	\$ -	-	-	-	1,531
TOTAL REVENUES	-	-	-	-	1,531
EXPENDITURES					
Current:					
Public works	-	-	-	-	-
Net change in fund balances	-	-	-	-	1,531
FUND BALANCES AT BEGINNING OF YEAR	114,276	114,276	114,276	-	112,745
FUND BALANCES AT END OF YEAR	<u>\$ 114,276</u>	<u>114,276</u>	<u>114,276</u>	<u>-</u>	<u>114,276</u>

CITY OF VILLA PARK
SEWER PUMP MAINTENANCE FUND

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Special assessments	\$ 15,000	15,000	15,155	155	12,313
Rent and investment income	200	200	412	212	679
TOTAL REVENUES	<u>15,200</u>	<u>15,200</u>	<u>15,567</u>	<u>367</u>	<u>12,992</u>
EXPENDITURES					
Current:					
Public works	4,600	8,000	6,621	1,379	4,809
Capital outlay	8,600	6,000	5,479	521	660
TOTAL EXPENDITURES	<u>13,200</u>	<u>14,000</u>	<u>12,100</u>	<u>1,900</u>	<u>5,469</u>
Net change in fund balances	2,000	1,200	3,467	2,267	7,523
FUND BALANCES AT BEGINNING OF YEAR	<u>21,214</u>	<u>21,214</u>	<u>21,214</u>	-	<u>13,691</u>
FUND BALANCES AT END OF YEAR	<u>\$ 23,214</u>	<u>22,414</u>	<u>24,681</u>	<u>2,267</u>	<u>21,214</u>

**CITY OF VILLA PARK
AIR QUALITY MANAGEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL**

Year Ended June 30, 2009

(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Intergovernmental	\$ 7,000	7,000	6,594	(406)	7,456
Rent and investment income	200	200	184	(16)	307
TOTAL REVENUES	<u>7,200</u>	<u>7,200</u>	<u>6,778</u>	<u>(422)</u>	<u>7,763</u>
EXPENDITURES					
Current:					
Public works	500	500	395	105	1,732
Capital outlay	2,500	10,500	10,205	295	979
TOTAL EXPENDITURES	<u>3,000</u>	<u>11,000</u>	<u>10,600</u>	<u>400</u>	<u>2,711</u>
Net change in fund balances	<u>4,200</u>	<u>(3,800)</u>	<u>(3,822)</u>	<u>(22)</u>	<u>5,052</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>9,977</u>	<u>9,977</u>	<u>9,977</u>	<u>-</u>	<u>4,925</u>
FUND BALANCES AT END OF YEAR	<u>\$ 14,177</u>	<u>6,177</u>	<u>6,155</u>	<u>(22)</u>	<u>9,977</u>

**CITY OF VILLA PARK
CITIZENS OPTION FOR PUBLIC SAFETY FUND**

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Intergovernmental	\$ 100,000	100,000	75,843	(24,157)	100,001
Rent and investment income	<u>1,600</u>	<u>800</u>	<u>642</u>	<u>(158)</u>	<u>1,663</u>
Total revenues	<u>101,600</u>	<u>100,800</u>	<u>76,485</u>	<u>(24,315)</u>	<u>101,664</u>
EXPENDITURES					
Current:					
Public safety	<u>82,500</u>	<u>82,500</u>	<u>63,157</u>	<u>19,343</u>	<u>205,547</u>
Total expenditures	<u>82,500</u>	<u>82,500</u>	<u>63,157</u>	<u>19,343</u>	<u>205,547</u>
Net change in fund balances	19,100	18,300	13,328	(4,972)	(103,883)
FUND BALANCES AT BEGINNING OF YEAR, as restated	<u>30,491</u>	<u>30,491</u>	<u>30,491</u>	<u>-</u>	<u>134,374</u>
FUND BALANCES AT END OF YEAR	<u>\$ 49,591</u>	<u>48,791</u>	<u>43,819</u>	<u>(4,972)</u>	<u>30,491</u>

CITY OF VILLA PARK
CALIFORNIA LAW ENFORCEMENT EQUIPMENT PROGRAM FUND

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

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009			Variance with Final Budget Positive (Negative)	2008 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Rent and investment income	\$ 6,400	3,200	2,571	(629)	6,653
Total revenues	6,400	3,200	2,571	(629)	6,653
EXPENDITURES					
Current:					
Public safety	-	7,500	6,527	973	-
Capital outlay	-	16,700	5,849	10,851	-
Total expenditures	-	24,200	12,376	11,824	-
Excess (deficiency) of revenues over (under) expenditures	6,400	(21,000)	(9,805)	11,195	6,653
Other financing sources (uses):					
Transfers out	-	(19,000)	(19,000)	-	-
Total other financing sources (uses)	-	(19,000)	(19,000)	-	-
Net change in fund balances	6,400	(40,000)	(28,805)	11,195	6,653
FUND BALANCES AT BEGINNING OF YEAR, as restated	117,985	117,985	117,985	-	111,332
FUND BALANCES AT END OF YEAR	<u>\$ 124,385</u>	<u>77,985</u>	<u>89,180</u>	<u>11,195</u>	<u>117,985</u>

CITY OF VILLA PARK
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended June 30, 2009
(with comparative totals for prior year)

	2009				2008 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES					
Intergovernmental	\$ 955,000	371,000	262,933	(108,067)	-
Rental and investment income	3,000	-	269	269	3,822
TOTAL REVENUES	958,000	371,000	263,202	(107,798)	3,822
EXPENDITURES					
Current:					
General government	-	-	-	-	34,608
Capital outlay	745,000	473,200	26,210	446,990	323,006
TOTAL EXPENDITURES	745,000	473,200	26,210	446,990	357,614
Excess (deficiency) of revenues over (under) expenditures	213,000	(102,200)	236,992	339,192	(353,792)
Other financing sources (uses):					
Transfers in	-	71,000	71,000	-	-
Total other financing sources (uses)	-	71,000	71,000	-	-
Net change in fund balances	213,000	(31,200)	307,992	339,192	(353,792)
FUND BALANCES AT BEGINNING OF YEAR	(212,969)	(212,969)	(212,969)	-	140,823
FUND BALANCES AT END OF YEAR	\$ 31	(244,169)	95,023	339,192	(212,969)

- *Proprietary funds* account for the services the City charges to customers or other units of the City. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City uses its internal service fund to account for the payment of various employee benefits for City employees. In the fund financial statements, this fund is presented using the accrual basis of accounting.

THE CITY AS A WHOLE

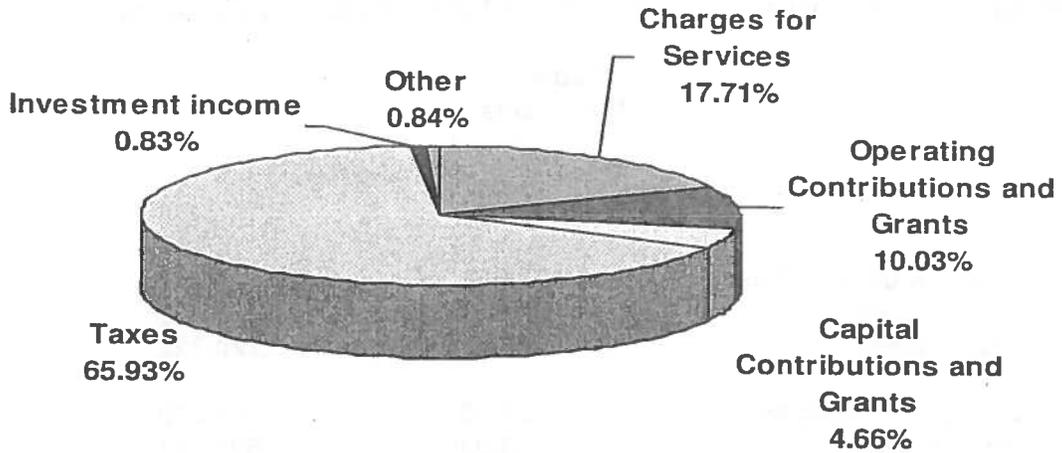
Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's government-wide activities. The City does not have business type activities.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2008-2009</u>	<u>2007-2008</u>
Current & other assets	\$3,025,562	\$2,964,823
Capital assets, net	<u>3,127,671</u>	<u>2,755,499</u>
Total Assets	6,153,233	5,720,322
Non-current liabilities	51,367	43,929
Other liabilities	<u>266,936</u>	<u>504,901</u>
Total Liabilities	318,303	548,830
Net Assets:		
Invested in capital assets, net of debt	3,127,671	2,755,499
Restricted	1,008,517	703,962
Unrestricted	<u>1,698,742</u>	<u>1,712,031</u>
Total Net Assets	<u>\$5,834,930</u>	<u>\$5,171,492</u>

FISCAL YEAR 2008-2009 GOVERNMENTAL ACTIVITIES
(See Table 2)

Sources of Revenues



Functional Expenses

