VILLAGE OF MONTEBELLO

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

VILLAGE OF MONTEBELLO
DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of
the Village Board
Village of Montebello
Suffern, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Village of Montebello, as of and for the year ended December 31, 2006, which collectively comprise the Villages' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Montebello's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the Village of Montebello as of December 31, 2006, and the respective changes in financial position, in conforming with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007 on our consideration of the Village of Montebello's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this reporting in considering the results of our audit.

KRPJ

The management's discussion and analysis and budgetary comparison information on Pages 2 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 made for the purpose of forming an opinion of the financial statements that collectively comprise the Village of Montebello's basic financial statements. The other supplementary information listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements of the Village of Montebello. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole

Korn Rosenbaum LLP

Korn Rosenbaum LLP

September 7, 2007

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIALS STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Members of
the Village Board
Village of Montebello
Suffern, New York

We have audited the accompanying financial statements of the government activities, each major fund, and the fiduciary funds information of the Village of Montebello as of and for the year ended December 31, 2006, which collectively comprise the Village of Montebello's basic financial statements and have issued our report hereon dated September 7, 2007. 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 the *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Montebello's ability to initiate, authorize, record or process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Montebello's financial statements that is more than inconsequential will not be prevented or detected by Village of Montebello's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Montebello's internal control.

KRPJ

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Village of Montebello in a separate letter dated September 7, 2007.

This report is intended solely for the information and use of the Mayor and Village Trustees and state and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Korn Rosenbaum LLP

Korn Rosenbaum LLP

September 7, 2007

VILLAGE OF MONTEBELLO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

The following is a discussion and analysis of the Village of Montebello's financial performance for the year ended December 31, 2006. The Village of Montebello's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget) and (e) identify individual fund issues or concerns.

The section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

HIGHLIGHTS

- The assets of the Village of Montebello exceeded its liabilities at the close of the most recent fiscal year by $5,460,858 (net assets), of this amount $892,670 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of the close of the current year, the Village's governmental funds reported combined ending fund balances of $1,975,944, a decrease of $252,452 in comparison with the prior year net adjusted fund balance.

- At the end of the current fiscal year, unreserved fund balance for the General Fund was $1,390,422 representing 77% of the total General Fund expenditures. Included in the unreserved fund balance is the amount of $501,464 which has been appropriated as part of the 2007 Village budget, net of such appropriation the balance amounting to $888,958 of unappropriated fund balance represents 47% of the total general fund expenditures.

- The Village's total debt decreased by $135,000 (16 percent) during the current year. The Village's debt will be paid in full in 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD & A (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide* financial statements that provide both short-term and long-term information about the Village's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Village's most significant funds.

- The *government fund statements* tell how basic services were financed in the short term as well as what remains for future spending.

- *Fiduciary funds* statements provide information about the financial relationships in which the Village acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of MD & A highlights the structure and contents of each of the statements.

Figure A-1

Major Features of the government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as safety inspections, maintenance of roads	Instances in which the Village administrators resources on behalf of someone else, such as bid deposits, escrow deposits for planning and zoning
Required financial statements	- Statement of net assets - Statement of activities	-Balance sheet -Statement of revenues, expenditures and changes in fund balances	- Statement of fiduciary net assets - Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital asset or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's *net assets* and how they have changed. Net assets, the difference between the Village's assets and liabilities, are one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the Village's overall health, you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Village's activities are shown as *governmental activities*: Most of the Village's basic services are included here, such as road maintenance (transportation) and administration (general governmental support). Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds – not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The Village establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The Village has two kinds of funds:

- Governmental Funds: Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, statements (Schedule 5 and Schedule 6) have been added to explain the relationship (or differences) between them.

- Fiduciary Funds – Agency Funds: The Village acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Village excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets at fiscal year end are $5,460,858. This is a $79,930 increase over last year's net assets of $5,380,928 which includes a prior period adjustment of $82,802. The following table provides a summary of the Village's net assets:

Figure A-2

Condensed Statement of Net Assets

Current assets	$ 2,145,329
Non-current assets	4,220,963
Total Assets	$ 6,366,292
Current liabilities	$ 250,434
Non-current liabilities	655,000
Total Liabilities	$ 905,434
Invested in capital assets, net of debt	$ 3,565,963
Restricted net assets	1,002,225
Unrestricted net assets	892,670
Total Net Assets	$ 5,460,858

The following table (Figure A-3) provides a summary of revenues and expenses and changes in net assets for the year ended December 31,:

Figure A-3

	2006	%	2005	%
REVENUES				
PROGRAM REVENUES				
Charges for Services	$ 277,218	15%	$ 300,865	16%
Operating Grant	-	0%	91,626	5%
GENERAL REVENUES				
Real Property Taxes	909,000	50%	919,361	48%
Real Property Taxes - Items	3,177	0%	3,986	0%
Non-Property Taxes	199,626	11%	194,139	10%
Departmental Income	9,265	1%	8,298	1%
Use of Money and Property	69,020	4%	32,601	2%
State and Federal Aid	294,466	16%	287,535	15%
Sales of Property and Compensation for Loss	19,219	1%	16,138	1%
Miscellaneous	30,750	2%	46,949	2%
TOTAL REVENUES	$ 1,811,741	100%	$ 1,901,498	100%
EXPENDITURES				
Government Support	$ 567,312	31%	$ 638,000	36%
Public Safety	145,917	8%	115,485	7%
Transportation	331,916	18%	346,749	19%
Culture and Recreation	34,051	2%	11,856	1%
Home and Community Services	543,144	30%	472,920	27%
Depreciation	156,797	9%	145,497	8%
Interest on Debt	35,476	2%	26,540	2%
TOTAL EXPENDITURES	$ 1,814,613	100%	$ 1,757,047	100%
CHANGE IN NET ASSETS	$ (2,872)		$ 144,451	

Total costs of services provided by the Village (Figure A-4) were $1,814,613. These charges were offset by charges for services of $277,218, resulting in net cost of services of $1,537,395.

Figure A-4

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Programs				
General government support	$ 587,302	$ 656,625	$ 455,750	$ 472,966
Public safety	150,158	119,726	150,158	119,726
Transportation	460,772	467,121	460,772	375,495
Culture and recreation	37,761	14,115	37,761	14,115
Home and community services	543,144	472,920	397,478	355,714
Interest on long-term debt	35,476	26,540	35,476	26,540
Total	$ 1,814,613	$ 1,757,047	$ 1,537,395	$1,364,556

Figure A-5 shows the changes in fund balances for the year for the Village's funds as presented in the Village's Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. At December 31, 2006, the Village reported a combined fund balance of $1,975,944. Total fund balances decreased by $252,452 in 2006, largely due to capital outlay expenditures of $339,381 which were financed from bond proceeds of $725,000 in 2005 and offset by escrow deposits of $82,802 that were transferred in from the trust and agency fund.

Figure A-5

	Total Dollar Governmental Funds		Change
	2006	2005	2005-2006
Governmental Fund Balances			
General Fund	$ 1,891,183	$ 1,804,254	$ 86,929
Capital Projects Fund	84,761	424,142	(339,381)
Total Fund Balance	$ 1,975,944	$ 2,228,396	$ (252,452)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village reviews the General Fund budget to see if any budget adjustments are needed. Actual revenues exceeded revised budget estimates by $196,841 and actual expenditures were lower than budgeted expenditures by $596,666.

Figure A-6 summarizes the General Fund original and revised budgets, actual expenditures and the variances for the year ended December 31, 2006.

Figure A-6

Condensed Budgetary Comparison General Fund 2006	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Real property taxes	$ 909,000	$ 909,000	$ 909,000	$ -
Real property tax items	3,100	3,100	3,177	77
Non property tax items	192,000	192,000	199,626	7,626
Departmental income	274,500	274,500	286,483	11,983
Use of money and property	16,000	16,000	69,020	53,020
Sale of property and compensation for loss	16,000	16,000	19,219	3,219
Miscellaneous	-	-	30,750	30,750
State and federal aid	204,300	204,300	294,466	90,166
Total Revenues	$ 1,614,900	$ 1,614,900	$ 1,811,741	$ 196,841
Other Sources				
Operating Transfers In	8,000	8,000	-	
Appropriated Fund Balance	781,380	781,380	-	
Total Revenues and Other Sources	$ 2,404,280	$ 2,404,280	$ 1,811,741	
Expenditures				
General government support	$ 617,640	$ 545,590	$ 509,125	$ 36,465
Public safety	121,920	124,920	121,123	3,797
Transportation	865,500	865,500	331,396	534,104
Culture and recreation	60,400	60,900	41,084	19,816
Home and community service	478,300	545,450	543,144	2,306
Employee benefits	91,600	90,600	90,544	56
Debt service	168,920	171,320	171,198	122
Total Expenditures	$ 2,404,280	$ 2,404,280	$ 1,807,614	$ 596,666

CAPITAL ASSETS

The Village records expenditures for land, buildings, equipment, machinery and infrastructures (roads) as capital assets in the Statement of Net Assets. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation.

For the useful life of assets, the Village relied upon material provided by the New York State government Finance Officers Association "Capital Assets of Local Governments Suggested Useful Lives". For highway improvements, the Village began with the 14.74 miles of roadway, utilized a current replacement cost of $250,000 per mile and then calculated cost back to 1986 based upon "Price Trends for Federal Aid Highway Construction" as issued by the USDOT Federal Highway Administration. Subsequent years values were based upon actual expenditures.

In 2006, the Village expended $353,457 on capital additions. Figure A-7 reflects the changes in net capital assets.

Figure A-7

	Total Dollar Governmental Activities 2005	2006	Change 2005-2006
Changes in Net Assets			
Land	$ 468,869	$ 468,869	$ -0-
Buildings and improvements	344,870	331,901	(12,969)
Infrastructure	3,154,384	3,364,909	210,525
Machinery and equipment	13,007	12,809	(198)
Miscellaneous	30,452	33,995	3,543
Vehicles	12,721	8,480	(4,241)
Total	$ 4,024,303	$ 4,220,963	$ 196,660

Major additions in 2006 included:

Infrastructure	$ 339,381
Equipment acquisitions	6,823
Miscellaneous acquisitions	7,253
Total	$ 353,457

DEBT ADMINISTRATION

Long Term Debt decreased by $135,000. The Village's long term debt at the end of the year was $730,000.

Detailed information regarding the Village's long-term liabilities is presented in Note 7 in the Notes to the Financial Statements.

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have any questions about the report or need additional financial information, contact the Village's Mayor, Village of Montebello, One Montebello Road, Suffern, New York 10901.

Schedule 1

VILLAGE OF MONTEBELLO
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2006

ASSETS		
Cash and Cash Equivalents	$	978,161
Taxes Receivable		6,943
Accounts Receivable		51,066
Due from Fiduciary Funds		1,107,224
Prepaid Expenses		1,935
Capital Assets (Net of Accumulated Depreciation)		4,220,963
TOTAL ASSETS	$	6,366,292
LIABILITIES		
Accounts Payable	$	39,086
Accrued Liabilities		6,386
Deferred Tax Revenues		123,913
Accrued Interest Payable		6,049
Bonds Payable Within One Year		75,000
Bonds Payable More Than One Year		655,000
TOTAL LIABILITIES	$	905,434
NET ASSETS		
Investment in Capital Assets, Net of Related Debt		3,565,963
Restricted for:		
Money in Lieu of Land Parkland Improvements		500,761
Ensuing Year's Budget		501,464
Unrestricted		892,670
TOTAL NET ASSETS	$	5,460,858

VILLAGE OF MONTEBELLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS AND PROGRAMS	Expenses	PROGRAM REVENUES: Charges for Service	PROGRAM REVENUES: Opeating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities
General Government	$ (587,302)	$ 131,552	$ -	$ -	$ (455,750)
Public Safety	(150,158)	-	-	-	(150,158)
Transportation	(460,772)	-	-	-	(460,772)
Culture and Recreation	(37,761)	-	-	-	(37,761)
Home and Community Services	(543,144)	145,666	-	-	(397,478)
Interest on Long-Term Debt	(35,476)	-	-	-	(35,476)
TOTAL PRIMARY GOVERNMENT	$ (1,814,613)	$ 277,218	$ -	$ -	$ (1,537,395)

GENERAL REVENUES	
Real Property Taxes	$ 909,000
Real Property Tax Items	3,177
Non Property Taxes	199,626
Departmental Income	9,265
Use of Money and Property	69,020
Sale of Property and Compensation for Loss	19,219
Miscellaneous	30,750
Unallocated State and Federal Aid	294,466
TOTAL GENERAL REVENUES	$ 1,534,523
Changes in Net Assets	$ (2,872)
Net Assets - Beginning	5,380,928
Prior Period Adjustment	82,802
Net Assets - Ending	$ 5,460,858

VILLAGE OF MONTEBELLO
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2006

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 978,161	$ -	$ 978,161
Taxes Receivable	6,943	-	6,943
Accounts Receivable, Net	51,066	-	51,066
Due from Fiduciary Funds	1,107,224	-	1,107,224
Due from General Fund	-	84,761	84,761
Prepaid Expenses	1,935	-	1,935
TOTAL ASSETS	$ 2,145,329	$ 84,761	$ 2,230,090
LIABILITIES			
Accounts Payable	$ 39,086	$ -	$ 39,086
Accrued Liabilities	6,386	-	6,386
Due to Capital Fund	84,761	-	84,761
Deferred Tax Revenues	123,913	-	123,913
TOTAL LIABILITIES	$ 254,146	$ -	$ 254,146
FUND BALANCES			
Reserved for Money in Lieu of Land	$ 500,761	$ -	$ 500,761
Unreserved:			
Designated for Ensuing Year's Budget	501,464	-	501,464
Undesignated	888,958	84,761	973,719
TOTAL FUND BALANCES	$ 1,891,183	$ 84,761	$ 1,975,944
TOTAL LIABILITIES AND FUND BALANCES	$ 2,145,329	$ 84,761	$ 2,230,090

VILLAGE OF MONTEBELLO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Real Property Taxes	$ 909,000	$ -	$ 909,000
Real Property Tax Items	3,177	-	3,177
Non-Property Tax Items	199,626	-	199,626
Departmental Income	286,483	-	286,483
Use of Money and Property	69,020	-	69,020
Sale of Property and Compensation for Loss	19,219	-	19,219
Miscellaneous	30,750	-	30,750
State and Federal Aid	294,466	-	294,466
TOTAL REVENUES	$ 1,811,741	$ -	$ 1,811,741
EXPENDITURES			
General Government Support	$ 502,302	$ -	$ 502,302
Public Safety	120,903	-	120,903
Transportation	331,396	-	331,396
Culture and Recreation	34,051	-	34,051
Home and Community Service	543,144	-	543,144
Employee Benefits	90,544	-	90,544
Capital Outlay	14,076	339,381	353,457
Debt Service	171,198	-	171,198
TOTAL EXPENDITURES	$ 1,807,614	$ 339,381	$ 2,146,995
OTHER FINANCING SOURCES (USES)			
Proceeds from Serial Bonds	$ -	$ -	$ -
TOTAL OTHER FINANCING SOURCES (USES)	$ -	$ -	$ -
NET CHANGE IN FUND BALANCE	$ 4,127	$ (339,381)	$ (335,254)
FUND BALANCES - BEGINNING	1,804,254	424,142	2,228,396
PRIOR PERIOD ADJUSTMENT	82,802	-	82,802
FUND BALANCES - ENDING	$ 1,891,183	$ 84,761	$ 1,975,944

Schedule 5

VILLAGE OF MONTEBELLO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2006

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS LIABILITIES	RECLASSIFICATIONS AND ELIMINIATIONS	STATEMENT OF NET ASSETS TOTALS
ASSETS				
Cash and Cash Equivalents	$ 978,161	$ -	$ -	$ 978,161
Taxes Receivable	6,943	-	-	6,943
Accounts Receivable, Net	51,066	-	-	51,066
Due from Fiduciary Funds	1,107,224	-	-	1,107,224
Prepaid Expenses	1,935	-	-	1,935
Capital Assets, Net	-	4,220,963	-	4,220,963
TOTAL ASSETS	$ 2,145,329	$ 4,220,963	$ -	$ 6,366,292
LIABILITIES				
Accounts Payable	$ 39,086	$ -	$ -	$ 39,086
Accrued Liabilities	6,386		-	6,386
Accrued Interest Payable	-	6,049	-	6,049
Bond Payable	-	730,000	-	730,000
Deferred Tax Revenues	123,913	-	-	123,913
TOTAL LIABILITIES	$ 169,385	$ 736,049	$ -	$ 905,434
TOTAL FUND EQUITY/ NET ASSETS	$ 1,975,944	$ 3,484,914	$ -	$ 5,460,858
TOTAL LIABILITIES AND FUND EQUITY	$ 2,145,329	$ 4,220,963	$ -	$ 6,366,292

VILLAGE OF MONTEBELLO
RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUES EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATION AND ELIMINATION	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	$ 909,000	$ -	$ -	$ -	$ -	$ 909,000
Real Property Tax Items	3,177	-	-	-	-	3,177
Non-Property Tax Items	199,626	-	-	-	-	199,626
Departmental Income	286,483	-	-	-	-	286,483
Use of Money and Property	69,020	-	-	-	-	69,020
Sale of Property and Compensation for Loss	19,219	-	-	-	-	19,219
Miscellaneous	30,750	-	-	-	-	30,750
State and Federal Aid	294,466	-	-	-	-	294,466
TOTAL REVENUE	$ 1,811,741	$ -	$ -	$ -	$ -	$ 1,811,741
EXPENDITURES						
General Government Support	$ 502,302	$ -	$ 19,990	$ -	$ 65,010	$ 587,302
Public Safety	120,903	-	4,241	-	25,014	150,158
Transportation	331,396	-	128,856	-	520	460,772
Culture and Recreation	34,051	-	3,710	-	-	37,761
Home and Community Service	543,144	-	-	-	-	543,144
Employee Benefits	90,544	-	-	-	(90,544)	-
Capital Outlay	353,457	-	(353,457)	-	-	-
Debt Service	171,198	(722)	-	(135,000)	-	35,476
TOTAL EXPENDITURES	$ 2,146,995	$ (722)	$ (196,660)	$ (135,000)	$ -	$ 1,814,613
Excess (Deficiency) of Revenues Over Expenditures	$ (335,254)	$ 722	$ 196,660	$ 135,000	$ -	$ (2,872)
OTHER SOURCES AND USES:						
Proceeds from Serial Bonds	$ -	$ -	$ -	$ -	$ -	$ -
NET CHANGE FOR THE YEAR	$ (335,254)	$ 722	$ 196,660	$ 135,000	$ -	$ (2,872)

Schedule 7

VILLAGE OF MONTEBELLO
STATEMENT OF FIDUCIARY NET ASSETS
AS OF DECEMBER 31, 2006

	AGENCY FUNDS
ASSETS	
Cash	$ 1,437,613
TOTAL ASSETS	$ 1,437,613
LIABILITIES	
Due to General Fund	$ 1,107,224
Escrow Deposit	183,730
Shadetree Deposit	145,959
Guarantee and Bid Deposits	700
TOTAL LIABILITIES	$ 1,437,613

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS

The accompanying financial statements of the Village of Montebello have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements.

A. Financial Reporting Entity

The Village of Montebello was established in 1986, is governed by its charter, the Village law and other general municipal laws of the State of New York, and various local laws. The Village Board is the legislative body responsible for the overall operation, the Mayor serves as Chief Executive Officer and the Village Clark Treasurer serves as Chief Fiscal Officer.

The Village provides the following basic services: Highway Maintenance, Refuse Collection, Recycling, Planning Board, Zoning Board, General Administration and other home and community services.

All governmental activities and functions performed for the Village of Montebello are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

A. Financial Reporting Entity (Continued)

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity".

1. The primary government which is the Village of Montebello;
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No: 14, including legal standing, fiscal dependency and financial accountability.

Based on the application of the above criteria, no other entities are included in the reporting entity.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Government activities generally are financed through taxes, state aid, intergovernmental revenues and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

B. Basis of Presentation (Continued)

1. Government-wide Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The funds statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major Governmental Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as non-major funds.

The Village of Montebello reports the following major Governmental Funds:

- **General Fund**: This is the Village's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.

- **Capital Projects Fund**: Used to account for capital improvements financed from current monies transferred from other funds, federal and state grants and proceeds of obligations.

The Village reports the following fiduciary funds:

- **Agency Fund**: Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

C. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Property Taxes

Village real property taxes are levied annually on January 1, and become a lien on that date. Taxes are collected during the period January 1 to October 31. On November 1, unpaid Village taxes are then turned over to the county for enforcement. Any such taxes remaining unpaid at year end are paid by the county.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

E. Budgetary Data

1. Budget Policies – The budget policies are as follows:

   a. In November the budget officer submits a tentative budget to the Village Board for the fiscal year commencing the following January 1. The tentative budget included proposed expenditures and the proposed means of financing for all funds.

   b. After public hearings are conducted to obtain taxpayer comments, in November, the governing board adopts the budget.

   c. All modifications of the budget must be approved by the governing board.

2. Budget Basis of Accounting

   The budget is adopted annually on a basis consistent with generally accepted accounting principles.

3. Encumbrances

   Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

F. Cash and Investments

The Village's investment policies are governed by the State statutes. In addition, the Village of Montebello has its own written investment policy. The Village's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand account and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

F. Cash and Investments (Continued)

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government and New York State. Underlying securities must have market value of at least 105 percent of the cost of the repurchase agreement.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent year.

H. Due To/From Other Funds

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

I. Inventories and Prepaid Items

Purchases of inventoriable items are recorded as expenditures in the Government Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Government-wide statements.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

J. Capital Assets

Capital assets are reported at historical costs. The Village depreciates capital assets using the straight-line method over the estimated useful life of the assets. Capitalization thresholds (the dollar value above which capital asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Building and Improvements	$ 5,000	40 years
Non-building Improvements	5,000	15 – 20 years
Equipment and Machinery	5,000	5 – 15 years

K. Infrastructure

The Village includes long-lived improvements to roads as capital assets in the Government-wide statements. Infrastructures are reported at historical costs and are depreciated using the straight-line method over their estimated useful lives.

Capitalization thresholds and estimated useful lives for infrastructure are as follows:

	Capitalization Threshold	Estimated Useful Life
Road Systems	$ 5,000	30 – 40 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

L. Vested Employee Benefits

Employees accrue (earn) vacation leave based on the number of years employed up to a maximum of four weeks a year. After ten years of continuous employment, one week of the maximum of four weeks may be rolled into the following year upon the advanced permission of the Mayor.

Full-time employees are entitled to eight paid sick days per year accumulative to a maximum of fifteen days for extended illness.

The Village's employees participate in the New York State Employees' Retirement System.

M. Unemployment Insurance

Village employees are covered by unemployment insurance. The Village is exempt for federal unemployment insurance tax.

N. Risk Retention

The Village assumes the liability from most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

O. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Village's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

P. Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPALS (Continued)

Q. Equity Classification – Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt

   Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. Restricted Net Assets

   Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Assets

   All other net assets that do not meet the definition of "restricted' or "invested in capital assets, net of related debt".

R. Interfund Transfers

The operations of the Village gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Government Funds for interfund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the Government Funds.

A. Total Fund Balances of Governmental Funds vs. Net Asset of Governmental Activities

Total fund balances of the Village's Governmental Funds differ from the "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

The basic financial statements on pages 17 and 18 contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Fund Statements and Net Assets reported on the Statement of Net Assets. These differences are as follows:

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the Village as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	$ 6,330,599
Accumulated Depreciation	(2,109,636)
Capital Assets, Net	$ 4,220,963

2. Interest payable is recognized in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Bond Interest Payable at December 31, 2006	$ 6,049

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

3. Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds Payable	$ 730,000

B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent these differences as follows:

1. Long-term revenue differences arise because Governmental Funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences include the difference between proceeds for the sale of capital governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities (Continued)

The basic financial statements on page 18 contains a detailed reconciliation of the items detailing the differences between the change in fund balance reported in the Government Fund Statements and the change in net assets reported in the Statement of Activities.

Total Revenues and Other Funding Sources

Total revenues of governmental activities	$ 1,811,741
Differences	0
Total Revenues in the Statement of Activities	$ 1,811,741

Total Expenditures/Expenses

Total expenditures reported in governmental funds (Schedule 6)	$ 2,146,995
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures In the years they are incurred. However, in the Statement of Activities, the cost of those is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of $156,797 was less than capital expenditures of $353,457 in the current year. (Schedule 6)	(196,660)
Interest payable is recognized in the entity wide statements Under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable this year is more than the interest payable last year. (Schedule 6)	(722)
Repayment of bond principal is an expenditures in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. (Schedule 6)	(135,000)
Total Expenses of Governmental Activities	$ 1,814,613

NOTE 3 CASH

The Village's investment policies are governed by State statutes as previously described in these Notes. Deposits are valued at cost or cost plus interest and are categorized as either:

A. Insured or collateralized with securities held by the entity or by its agent in the entity's name;

B. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or

C. Uncollateralized.

Total financial institution (bank) balances at December 31, 2005, per the bank, are categorized as follows:

	1	2	3
Governmental/ Agency Funds	$ 100,000	$ 2,315,774	$ 0

NOTE 4 INTERFUND ACTIVITY

Interfund receivables and payables at December 31, 2006 were as follows:

Fund Type	Interfund Receivables	Interfund Payables
General	$ 1,107,224	$ 0
Agency	0	1,107,224
Total	$ 1,107,224	1,107,224

NOTE 5 CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2006 were as follows:

	Beginning Balance	Additions	Disposals and Reclassifications	Ending Balance
Governmental Activities				
Capital Assets that are not Depreciated:				
Land	$ 468,869	$ -	$ -	$ 468,869
Total Non-Depreciable Historical Cost	$ 468,869	$ -	$ -	$ 468,869
Capital Assets that are Being Depreciated:				
Buildings and Improvements	$ 518,765	$ -	$ -	$ 518,765
Infrastructure	4,814,874	339,381	-	5,154,255
Machinery and Equipment	107,039	6,823	-	113,862
Miscellanous	35,734	7,253	-	42,987
Vehicles	31,861	-	-	31,861
Total Depreciable Historical Assets	$ 5,508,273	$ 353,457	$ -	$ 5,861,730
Less Accumulated Depreciation:				
Buildings and Improvements	$ 173,895	$ 12,969	$ -	$ 186,864
Infrastructure	1,660,490	128,856	-	1,789,346
Machinery and Equipment	94,032	7,021	-	101,053
Miscellenous	5,282	3,710	-	8,992
Vehicles	19,140	4,241	-	23,381
Total Accumulated Depreciation	$ 1,952,839	$ 156,797	$ -	$ 2,109,636

Depreciation was charged to governmental functions as follows:

General Government Support	$ 19,990
Public Safety	4,241
Transportation	128,856
Culture and Recreation	3,710
Total Depreciation Expense	$ 156,797

NOTE 6 LIABILITIES

A. Pension Plans

Plan Description

The Village of Montebello began during 1999 to participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first 10 years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. Chapter 126 adds Article 19 "Benefits Enhancements" of the New York State and Local Employees Retirement System. An eligible Tier III or IV member with ten or more years of membership or ten years credited services will not be required to contribute to the Retirement System.

The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	ERS
2006	$ 36,407
2005	33,996
2004	28,027

NOTE 6 **LIABILITIES** (Continued)

B. Short-Term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter.

State law required that BAN's issued for capital purposes be converted to long-term obligations within five years after the original date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

C. Long-Term Debt

Bonds

The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers.

At December 31, 2006 the total principal indebtedness outstanding the Village aggregated $730,000.

The following is a summary of the Village's outstanding serial bonds for the year ending December 31, 2006:

Description	Original Date of Issue	Original Amount	IR	Date of Final Maturity	Outstanding 12/31
Acquire Village Hall	06/15/92	$ 640,000	6.00%	06/15/07	$ 40,000
Road Reconstruction	10/15/05	725,000	4.18%	10/15/20	690,000
Total					$730,000

Interest on long-term debt paid during the year was:

Interest Paid	$ 36,198
Less: Interest Accrued – Prior Year	(6,771)
Plus: Interest Accrued – Current Year	6,049
	$ 35,476

NOTE 6 LIABILITIES (Continued)

C. Long-Term Debt (Continued)

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance
Governmental Activities				
Serial Bonds	$ 865,000	$ -0-	$ 135,000	$ 730,000
Total Long-Term Liabilities	$ 865,000	$ -0-	$ 135,000	$ 730,000

The following is a summary of the maturity of long-term indebtedness:

	Year	Principal	Interest
Serial Bonds	2007	$ 75,000	$ 29,758
	2008	40,000	27,157
	2009	40,000	25,558
	2010	40,000	23,957
	2011	45,000	22,358
	2012-2016	250,000	83,400
	2017-2020	240,000	26,487
Total Serial Bonds		$ 730,000	$ 238,675

NOTE 7 RESTRICTED NET ASSETS

Included in total net assets of $5,460,858 is $501,464 that has been appropriated by the Village for 2007 expenditures, and $500,761 which is reserved for Money in Lieu of Land Parkland Improvements.

NOTE 8 RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

NOTE 9 CONTINGENCIES AND COMMITMENTS

The Village leases equipment under operating leases. Total rental expenditures on such leases for the year were approximately $4,700. The minimum future non-cancelable operating leases payments are as follows:

Year Ending	Amount
2007	5,880
2008	4,592
	$ 10,472

NOTE 10 PRIOR PERIOD ADJUSTMENTS

Effective January 1, 2006 the Village had prior period adjustment of $82,802 for escrow deposits to be transferred from the Trust & Agency Fund.

VILLAGE OF MONTEBELLO
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
MAJOR GOVERNMENTAL FUNDS
NON GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL FUND			
	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	$ 909,000	$ 909,000	$ 909,000	$ -
Real Property Tax Items	3,100	3,100	3,177	77
Non Property Tax Items	192,000	192,000	199,626	7,626
Departmental Income	274,500	274,500	286,483	11,983
Use of Money and Property	16,000	16,000	69,020	53,020
Sale of Property and Compensation for Loss	16,000	16,000	19,219	3,219
Miscellaneous	-	-	30,750	30,750
State and Federal Aid	204,300	204,300	294,466	90,166
TOTAL REVENUES	$ 1,614,900	$ 1,614,900	$ 1,811,741	$ 196,841
OTHER SOURCES				
Operating Transfers In	8,000	8,000	-	
Appropriated Fund Balance	781,380	781,380	-	
TOTAL REVENUES AND OTHER SOURCES	$ 2,404,280	$ 2,404,280	$ 1,811,741	
EXPENDITURES				
General Government Support	$ 617,640	$ 545,590	$ 509,125	$ 36,465
Public Safety	121,920	124,920	121,123	3,797
Transportation	865,500	865,500	331,396	534,104
Culture and Recreation	60,400	60,900	41,084	19,816
Home and Community Service	478,300	545,450	543,144	2,306
Employee Benefits	91,600	90,600	90,544	56
Debt Service	168,920	171,320	171,198	122
TOTAL EXPENDITURES	$ 2,404,280	$ 2,404,280	$ 1,807,614	$ 596,666

VILLAGE OF MONTEBELLO
STATEMENT OF INDEBTEDNESS
AS OF DECEMBER 31, 2006

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING THE YEAR
BONDS								
STATUTORY INSTALLMENT BONDS								
Acquire Village Hall	6/15/1992	6/15/2007	6.00%	$ 80,000	$ -	$ 40,000	$ 40,000	$ 3,600
Highway Improvement	11/15/1998	11/15/2006	4.36%	60,000	-	60,000	-	2,640
Road Reconstruction	10/15/2005	10/15/2020	4.18%	725,000	-	35,000	690,000	29,958
TOTAL STATUTORY INSTALLMENT BONDS				$ 865,000	$ -	$ 135,000	$ 730,000	$ 36,198
TOTAL INDEBTEDNESS				$ 865,000	$ -	$ 135,000	$ 730,000	$ 36,198