

**VILLAGE OF MONTEBELLO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2009**

**VILLAGE OF MONTEBELLO**  
**DECEMBER 31, 2009**

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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, 2009, 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.

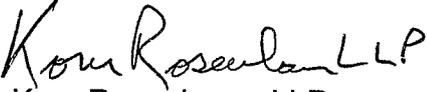
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the Village of Montebello as of December 31, 2009, and the respective changes in financial 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 , 2010 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

August 23, 2010



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, 2009, which collectively comprise the Village of Montebello's basic financial statements and have issued our report hereon dated August 23, 2010. 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.



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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 August 23, 2010.

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

August 23, 2010

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

The following is a discussion and analysis of the Village of Montebello's financial performance for the year ended December 31, 2009. 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 \$6,047,217 (net assets), of this amount \$1,219,750 (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 \$2,355,516, an increase of \$526,333 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 \$1,634,403 representing 81% of the total General Fund expenditures. Included in the unreserved fund balance is the amount of \$386,965 which has been appropriated as part of the 2010 Village budget, net of such appropriation the balance amounting to \$1,247,438 of unappropriated fund balance represents 62% of the total general fund expenditures.
- The Village's total debt decreased by \$140,000 during the current year. The Village's debt will be paid in full in 2022.

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

**Figure A-1**

Major Features of the government-wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements	
		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

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

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 \$6,047,217. This is an increase of \$544,238 over last year's net assets of \$5,502,979. The following table provides a summary of the Village's net assets:

**Figure A-2**

<b>Condensed Statement of Net Assets</b>	
Current assets	\$ 2,602,956
Non-current assets	<u>5,954,389</u>
<b>Total Assets</b>	<b><u>\$ 8,557,345</u></b>
Current liabilities	\$ 420,128
Non-current liabilities	<u>2,090,000</u>
<b>Total Liabilities</b>	<b><u>\$ 2,510,128</u></b>
Invested in capital assets, net of debt	\$ 3,719,389
Restricted net assets	1,108,078
Unrestricted net assets	<u>1,219,750</u>
<b>Total Net Assets</b>	<b><u><u>\$ 6,047,217</u></u></b>

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

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**

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
<u>REVENUES</u>				
<u>PROGRAM REVENUES</u>				
Charges for Services	\$ 238,194	8%	\$ 380,943	17%
<u>GENERAL REVENUES</u>				
Real Property Taxes	1,178,876	44%	1,134,607	49%
Real Property Taxes - Items	6,601	1%	10,388	1%
Non-Property Taxes	144,825	6%	173,428	8%
Departmental Income	20,791	1%	10,448	1%
Use of Money and Property	65,890	3%	65,016	3%
State and Federal Aid	125,931	5%	329,099	14%
Sales of Property and Compensation for Loss	42,517	2%	19,124	1%
Money in Lieu of Land Deposits	89,332	3%	123,363	5%
Miscellaneous	708,471	27%	24,373	1%
<u>TOTAL REVENUES</u>	<u>\$ 2,621,428</u>	100%	<u>\$ 2,270,789</u>	100%
<u>EXPENDITURES</u>				
Government Support	\$ 526,231	25%	\$ 538,807	25%
Public Safety	106,100	5%	163,711	8%
Transportation	447,991	22%	410,585	19%
Culture and Recreation	71,140	3%	52,214	2%
Home and Community Services	624,489	30%	685,773	32%
Depreciation	205,259	10%	201,803	9%
Interest and Fees on Debt	95,980	5%	107,923	5%
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,077,190</u>	100%	<u>\$ 2,160,816</u>	100%
<u>CHANGE IN NET ASSETS</u>	<u>\$ 544,238</u>		<u>\$ 109,973</u>	

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

Total costs of services provided by the Village (Figure A-4) were \$2,077,190. These charges were offset by charges for services of \$238,194, resulting in net cost of services of \$1,838,996.

**Figure A-4**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Programs</b>				
General government support	\$ 590,379	\$ 597,509	\$ 421,971	\$ 438,477
Public safety	106,255	167,952	106,255	167,952
Transportation	584,196	544,489	584,196	544,489
Culture and recreation	75,891	57,170	75,891	57,170
Home and community services	624,489	685,773	554,703	463,862
Interest & Fees long-term debt	<u>95,980</u>	<u>107,923</u>	<u>95,980</u>	<u>107,923</u>
<b>Total</b>	<u>\$ 2,077,190</u>	<u>\$ 2,160,816</u>	<u>\$ 1,838,996</u>	<u>\$ 1,779,873</u>

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, 2009, the Village reported a combined fund balance of \$2,355,516. Total fund balances increased by \$526,333 in 2009 and included settlement monies of \$635,000 received from a contractor for nonperformance. The funds are not restricted in any way and will be used for general budgetary purposes.

**Figure A-5**

	<u>Total Dollar Governmental Funds</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
<b><u>Governmental Fund Balances</u></b>			
General Fund	\$ 2,355,516	\$ 1,829,183	\$ 526,333
Capital Projects Fund	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balance</b>	<u>\$ 2,355,516</u>	<u>\$ 1,829,183</u>	<u>\$ 526,333</u>

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

**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 \$663,033 and actual expenditures were lower than budgeted expenditures by \$146,137.

Figure A-6 summarizes the General Fund original and revised budgets, actual expenditures and the variances for the year ended December 31, 2009.

**Figure A-6**

<b>Condensed Budgetary Comparison General Fund 2009</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<u>Revenues</u>				
Real property taxes	\$ 1,176,679	\$ 1,176,679	\$ 1,178,786	\$ 2,107
Real property tax items	4,350	4,350	6,601	2,251
Non property tax items	150,000	150,000	144,825	(5,175)
Departmental income	297,600	297,600	258,985	(38,615)
Use of money and property	93,778	93,778	65,980	(27,798)
Sale of property and compensation for loss	16,000	16,000	42,517	26,517
Money in Lieu of Land Deposits	-	-	89,332	89,332
Miscellaneous	55,000	55,000	708,471	653,471
State and federal aid	134,000	134,000	94,943	(39,057)
<b>Total Revenues</b>	<u>\$ 1,927,407</u>	<u>\$ 1,927,407</u>	<u>\$ 2,590,440</u>	<u>\$ 663,033</u>
<u>Other Sources</u>				
Appropriated Fund Balance	<u>235,437</u>	<u>235,437</u>	<u>-</u>	
<b>Total Revenues and Other Sources</b>	<u>\$ 2,162,844</u>	<u>\$ 2,162,844</u>	<u>\$ 2,590,440</u>	
<u>Expenditures</u>				
General government support	\$ 511,787	\$ 488,787	\$ 466,919	\$ 21,868
Public safety	105,177	108,977	93,191	15,786
Transportation	508,620	508,620	447,481	61,139
Culture and recreation	51,491	107,191	71,140	36,051
Home and community service	663,800	627,300	624,489	2,811
Employee benefits	84,322	84,322	75,840	8,482
Debt service	237,647	237,647	237,647	-
<b>Total Expenditures</b>	<u>\$ 2,162,844</u>	<u>\$ 2,162,844</u>	<u>\$ 2,016,707</u>	<u>\$ 146,137</u>
<u>Other Uses</u>				
Interfund Transfers	<u>-</u>	<u>-</u>	<u>47,400</u>	
<b>Total Expenditures and Other Uses</b>	<u>\$ 2,162,844</u>	<u>\$ 2,162,844</u>	<u>\$ 2,064,107</u>	

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

**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 2009, the Village expended 81,497 on capital additions. Figure A-7 reflects the changes in net capital assets after reduction for 2009 depreciation.

**Figure A-7**

	<b>Total Dollar</b>		<b>Change</b>
	<b>Governmental Activities</b>		
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2008-2009</u></b>
<b><u>Changes in Net Assets</u></b>			
Land	\$ 665,869	\$ 665,869	\$ 0
Buildings and improvements	1,964,901	1,936,849	( 28,052)
Infrastructure	3,369,193	3,283,325	(85,868)
Machinery and equipment	32,361	27,270	(5,091)
Miscellaneous	45,827	41,076	(4,751)
Vehicles	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 6,078,151</u></b>	<b><u>\$ 5,954,389</u></b>	<b><u>\$ (123,762)</u></b>

Major additions in 2009 included:

Buildings and Improvements	\$ 28,051
Infrastructure	50,337
Machinery and Equipment	<u>3,109</u>
<b>Total</b>	<b><u>\$ 81,497</u></b>

**VILLAGE OF MONTEBELLO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009**

**DEBT ADMINISTRATION**

Long Term Debt decreased by \$140,000. The Village's long term debt at the end of the year was \$2,235,000.

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.

**VILLAGE OF MONTEBELLO**  
**STATEMENT OF NET ASSETS**  
**AS OF DECEMBER 31, 2009**

**ASSETS**

Cash and Cash Equivalents	\$ 1,348,103
Taxes Receivable	15,453
Accounts Receivable	92,065
Due from Fiduciary Funds	1,144,632
Prepaid Expenses	2,703
Capital Assets (Net of Accumulated Depreciation)	<u>5,954,389</u>
 <b><u>TOTAL ASSETS</u></b>	 <b><u>\$ 8,557,345</u></b>

**LIABILITIES**

Accounts Payable	\$ 175,512
Accrued Liabilities	37,983
Deferred Revenue	33,945
Deferred Tax Revenues	-
Accrued Interest Payable	27,688
Bonds Payable Within One Year	145,000
Bonds Payable More Than One Year	<u>2,090,000</u>
 <b><u>TOTAL LIABILITIES</u></b>	 <b><u>\$ 2,510,128</u></b>

**NET ASSETS**

Investment in Capital Assets, Net of Related Debt	3,719,389
Restricted for:	
Money in Lieu of Land Parkland Improvements	705,013
Reserved for Community Center	16,100
Ensuing Year's Budget	386,965
Unrestricted	<u>1,219,750</u>
 <b><u>TOTAL NET ASSETS</u></b>	 <b><u>\$ 6,047,217</u></b>

**VILLAGE OF MONTEBELLO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

FUNCTIONS AND PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ (590,379)	\$ 168,408	\$ -	\$ -	(421,971)
Public Safety	(106,255)	-	-	-	(106,255)
Transportation	(584,196)	-	-	-	(584,196)
Culture and Recreation	(75,891)	-	-	-	(75,891)
Home and Community Services	(624,489)	69,786	-	-	(554,703)
Interest and Fees on Long-Term Debt	(95,980)	-	-	-	(95,980)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ (2,077,190)</b>	<b>\$ 238,194</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,838,996)</b>

**GENERAL REVENUES**

Real Property Taxes	\$ 1,178,786
Real Property Tax Items	6,601
Non Property Taxes	144,825
Departmental Income	20,791
Use of Money and Property	65,980
Sale of Property and Compensation for Loss	42,517
Money In Lieu of Land Deposits	89,332
Miscellaneous	708,471
Unallocated State and Federal Aid	125,931
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 2,383,234</b>

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

\$ 544,238
5,502,979
\$ 6,047,217

**VILLAGE OF MONTEBELLO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2009**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,348,103	\$ -	\$ 1,348,103
Taxes Receivable	15,453	-	15,453
Accounts Receivable, Net	92,065	-	92,065
Due from Fiduciary Funds	1,144,632	-	1,144,632
Due from General Fund	-	-	-
Prepaid Expenses	2,703	-	2,703
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 2,602,956</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,602,956</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 175,512	\$ -	\$ 175,512
Accrued Liabilities	37,983	-	37,983
Due to Capital Fund	-	-	-
Deferred Revenue	33,945	-	33,945
Deferred Tax Revenues	-	-	-
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>\$ 247,440</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 247,440</u></b>
<b><u>FUND BALANCES</u></b>			
Reserved for Money in Lieu of Land	\$ 705,013	\$ -	\$ 705,013
Reserved for Community Center	16,100	-	16,100
Unreserved:			
Designated for Ensuing Year's Budget	386,965	-	386,965
Undesignated	1,247,438	-	1,247,438
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>\$ 2,355,516</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,355,516</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 2,602,956</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,602,956</u></b>

**VILLAGE OF MONTEBELLO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>REVENUES</u></b>			
Real Property Taxes	\$ 1,178,786	\$ -	\$ 1,178,786
Real Property Tax Items	6,601	-	6,601
Non-Property Tax Items	144,825	-	144,825
Departmental Income	258,985	-	258,985
Use of Money and Property	65,980	-	65,980
Sale of Property and Compensation for Loss	42,517	-	42,517
Money In Lieu of Land Deposits	89,332	-	89,332
Miscellaneous	708,471	-	708,471
State and Federal Aid	94,943	30,988	125,931
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL REVENUES</u></b>	<b><u>\$ 2,590,440</u></b>	<b><u>\$ 30,988</u></b>	<b><u>\$ 2,621,428</u></b>
<b><u>EXPENDITURES</u></b>			
General Government Support	\$ 466,919	\$ -	\$ 466,919
Public Safety	93,191	-	93,191
Transportation	447,481	-	447,481
Culture and Recreation	71,140	-	71,140
Home and Community Service	624,489	-	624,489
Employee Benefits	75,840	-	75,840
Capital Outlay	-	78,388	78,388
Debt Service	237,647	-	237,647
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>\$ 2,016,707</u></b>	<b><u>\$ 78,388</u></b>	<b><u>\$ 2,095,095</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Proceeds from Serial Bonds	\$ -	\$ -	\$ -
Interfund Transfers	(47,400)	47,400	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b><u>\$ (47,400)</u></b>	<b><u>\$ 47,400</u></b>	<b><u>\$ -</u></b>
NET CHANGE IN FUND BALANCE	\$ 526,333	\$ -	\$ 526,333
FUND BALANCES - BEGINNING	<u>1,829,183</u>	<u>-</u>	<u>1,829,183</u>
FUND BALANCES - ENDING	<u>\$ 2,355,516</u>	<u>\$ -</u>	<u>\$ 2,355,516</u>

**VILLAGE OF MONTEBELLO**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AS OF DECEMBER 31, 2009**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS LIABILITIES	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF NET ASSETS TOTALS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,348,103	\$ -	\$ -	\$ 1,348,103
Taxes Receivable	15,453	-	-	15,453
Accounts Receivable, Net	92,065	-	-	92,065
Due from Fiduciary Funds	1,144,632	-	-	1,144,632
Prepaid Expenses	2,703	-	-	2,703
Capital Assets, Net	-	5,954,389	-	5,954,389
<b>TOTAL ASSETS</b>	<b>\$ 2,602,956</b>	<b>\$ 5,954,389</b>	<b>\$ -</b>	<b>\$ 8,557,345</b>
<b>LIABILITIES</b>				
Accounts Payable	175,512	-	-	175,512
Accrued Liabilities	37,983	-	-	37,983
Accrued Interest Payable	-	27,688	-	27,688
Bond Payable	-	2,235,000	-	2,235,000
Deferred Revenue	33,945	-	-	33,945
Deferred Tax Revenues	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 247,440</b>	<b>\$ 2,262,688</b>	<b>\$ -</b>	<b>\$ 2,510,128</b>
<b>TOTAL FUND EQUITY/ NET ASSETS</b>	<b>\$ 2,355,516</b>	<b>\$ 3,691,701</b>	<b>\$ -</b>	<b>\$ 6,047,217</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 2,602,956</b>	<b>\$ 5,954,389</b>	<b>\$ -</b>	<b>\$ 8,557,345</b>

VILLAGE OF MONTEBELLO  
RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUES EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATION AND ELIMINATION	STATEMENT OF ACTIVITIES TOTALS
<u>REVENUES</u>						
Real Property Taxes	\$ 1,178,786	\$ -	\$ -	\$ -	\$ -	\$ 1,178,786
Real Property Tax Items	6,601	-	-	-	-	6,601
Non-Property Tax Items	144,825	-	-	-	-	144,825
Departmental Income	258,985	-	-	-	-	258,985
Use of Money and Property	65,980	-	-	-	-	65,980
Sale of Property and Compensation for Loss	42,517	-	-	-	-	42,517
Money in Lieu of Land Deposits	89,332	-	-	-	-	89,332
Miscellaneous	708,471	-	-	-	-	708,471
State and Federal Aid	125,931	-	-	-	-	125,931
<u>TOTAL REVENUE</u>	<u>\$ 2,621,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,621,428</u>
<u>EXPENDITURES</u>						
General Government Support	\$ 466,919	\$ -	\$ 64,148	\$ -	\$ 59,312	\$ 590,379
Public Safety	93,191	-	(2,954)	-	16,018	106,255
Transportation	447,481	-	136,205	-	510	584,196
Culture and Recreation	71,140	-	4,751	-	-	75,891
Home and Community Service	624,489	-	-	-	-	624,489
Employee Benefits	75,840	-	-	-	(75,840)	-
Capital Outlay	78,388	-	(78,388)	-	-	-
Debt Service	237,647	(1,667)	-	(140,000)	-	95,980
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,095,095</u>	<u>\$ (1,667)</u>	<u>\$ 123,762</u>	<u>\$ (140,000)</u>	<u>\$ -</u>	<u>\$ 2,077,190</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 526,333	\$ 1,667	\$ (123,762)	\$ 140,000	\$ -	\$ 544,238
<u>OTHER SOURCES AND USES:</u>						
Proceeds from Serial Bonds	-	-	-	-	-	-
<u>NET CHANGE FOR THE YEAR</u>	<u>\$ 526,333</u>	<u>\$ 1,667</u>	<u>\$ (123,762)</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 544,238</u>

VILLAGE OF MONTEBELLO  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF DECEMBER 31, 2009

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,424,329
<u>TOTAL ASSETS</u>	<u>\$ 1,424,329</u>
<u>LIABILITIES</u>	
Due to General Fund	\$ 1,144,632
Escrow Deposit	190,159
Shadetree Deposit	89,538
Guarantee and Bid Deposits	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 1,424,329</u>

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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 Clerk 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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Road Systems	\$ 5,000	30 – 40 years

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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	\$ 8,643,098
Accumulated Depreciation	<u>( 2,688,709)</u>
Capital Assets, Net	<u>\$ 5,954,389</u>

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, 2009	<u>\$ 27,688</u>
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**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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	<u>\$ 2,235,000</u>
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**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.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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	\$ 2,621,428
Differences	<u>0</u>
Total Revenues in the Statement of Activities	<u>\$ 2,621,428</u>

Total Expenditures/Expenses

Total expenditures reported in governmental funds (Schedule 6)	\$ 2,095,095
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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 \$205,259 was greater than capital expenditures of \$81,497 in the current year. (Schedule 6)

123,762

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)

(1,667)

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)

(140,000)

Total Expenses of Governmental Activities	<u>\$ 2,077,190</u>
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**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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, 2009, per the bank, are categorized as follows:

	A	B	C
Governmental/ Agency Funds	\$ 250,000	\$ 2,610,976	\$ 0

**NOTE 4**      **INTERFUND ACTIVITY**

Interfund receivables and payables at December 31, 2009 were as follows:

<u>Fund Type</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 1,144,632	\$ 0
Agency	0	1,144,632
Total	\$ 1,144,632	\$ 1,144,632

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 5      CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2009 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets that are not				
Depreciated:				
Land	\$ 665,869	\$ -	\$ -	\$ 665,869
 Total Non-Depreciable Historical Cost	 \$ 665,869	 \$ -	 \$ -	 \$ 665,869
 Capital Assets that are Being				
Depreciated:				
Buildings and Improvements	\$ 2,230,116	\$ 28,051	\$ -	\$ 2,258,167
Infrastructure	5,422,988	50,337	-	5,473,325
Machinery and Equipment	146,650	3,109	-	149,759
Miscellaneous	64,117	-	-	64,117
Vehicles	31,861	-	-	31,861
 Total Depreciable Historical Assets	 \$ 7,895,732	 \$ 81,497	 \$ -	 \$ 7,977,229
 Less Accumulated Depreciation:				
Buildings and Improvements	\$ 265,215	56,103	\$ -	\$ 321,318
Infrastructure	2,053,795	136,205	-	2,190,000
Machinery and Equipment	114,289	8,200	-	122,489
Miscellaneous	18,290	4,751	-	23,041
Vehicles	31,861	-	-	31,861
 Total Accumulated Depreciation	 \$ 2,483,450	 \$ 205,259	 \$ -	 \$ 2,688,709

Depreciation was charged to governmental functions as follows:

General Government Support	\$ 64,148
Public Safety	155
Transportation	136,205
Culture and Recreation	4,751
Total Depreciation Expense	<u>\$ 205,259</u>

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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:

	<u>ERS</u>
2009	\$ 21,276
2008	23,168
2007	32,541

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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, 2009 the total principal indebtedness outstanding the Village aggregated \$2,235,000.

The following is a summary of the Village's outstanding serial bonds for the year ending December 31, 2009:

<u>Description</u>	<u>Original Date of Issue</u>	<u>Original Amount</u>	IR	<u>Date of Final Maturity</u>	<u>Outstanding 12/31</u>
Various Purposes	09/01/07	\$1,860,000	4.00%	09/01/22	\$1,660,000
Road Reconstruction	10/15/05	725,000	4.18%	10/15/20	<u>575,000</u>
Total					<u>\$2,235,000</u>

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

Interest Paid	\$ 97,647
Less: Interest Accrued – Prior Year	(29,355)
Plus: Interest Accrued – Current Year	<u>27,688</u>
	<u>\$ 95,980</u>

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 6**      **LIABILITIES** (Continued)

**C.      Long-Term Debt** (Continued)

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Serial Bonds	\$2,375,000	\$ 0	\$ 140,000	\$2,235,000
 Total Long-Term Liabilities	 <u>\$2,375,000</u>	 <u>\$ 0</u>	 <u>\$ 140,000</u>	 <u>\$2,235,000</u>

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

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Serial Bonds	2010	\$ 145,000	\$ 92,047
	2011	155,000	86,248
	2012	155,000	80,047
	2013	165,000	73,848
	2014	170,000	67,247
	2015-2019	930,000	229,303
	2020-2022	<u>515,000</u>	<u>41,452</u>
 Total Serial Bonds		 <u>\$2,235,000</u>	 <u>\$ 670,192</u>

**NOTE 7**      **RESTRICTED NET ASSETS**

Included in total net assets of \$6,047,217 is \$386,965 that has been appropriated by the Village for 2010 expenditures, \$705,013 which is reserved for Money in Lieu of Land Parkland Improvements and \$16,100 which is reserved for Community Center.

**VILLAGE OF MONTEBELLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**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 \$4,781. The minimum future non-cancelable operating leases payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2010	2,679
2011	2,679
2012	2,679
2013	2,396
2014	387
	<u>\$ 10,820</u>

**VILLAGE OF MONTEBELLO**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
**MAJOR GOVERNMENTAL FUNDS**  
**NON GAAP BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

GENERAL FUND

	<u>ORIGINAL</u>	<u>ADJUSTED</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	
<b><u>REVENUES</u></b>				
Real Property Taxes	\$ 1,176,679	\$ 1,176,679	\$ 1,178,786	\$ 2,107
Real Property Tax Items	4,350	4,350	6,601	2,251
Non Property Tax Items	150,000	150,000	144,825	(5,175)
Departmental Income	297,600	297,600	258,985	(38,615)
Use of Money and Property	93,778	93,778	65,980	(27,798)
Sale of Property and Compensation for Loss	16,000	16,000	42,517	26,517
Money In Lieu of Land Deposits	-	-	89,332	89,332
Miscellaneous	55,000	55,000	708,471	653,471
State and Federal Aid	<u>134,000</u>	<u>134,000</u>	<u>94,943</u>	<u>(39,057)</u>
<b><u>TOTAL REVENUES</u></b>	<b>\$ 1,927,407</b>	<b>\$ 1,927,407</b>	<b>\$ 2,590,440</b>	<b>\$ 663,033</b>
<b><u>OTHER SOURCES</u></b>				
Appropriated Fund Balance	<u>\$ 235,437</u>	<u>\$ 235,437</u>	<u>\$ -</u>	
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<b><u>\$ 2,162,844</u></b>	<b><u>\$ 2,162,844</u></b>	<b><u>\$ 2,590,440</u></b>	
<b><u>EXPENDITURES</u></b>				
General Government Support	\$ 511,787	\$ 488,787	\$ 466,919	\$ 21,868
Public Safety	105,177	108,977	93,191	15,786
Transportation	508,620	508,620	447,481	61,139
Culture and Recreation	51,491	107,191	71,140	36,051
Home and Community Service	663,800	627,300	624,489	2,811
Employee Benefits	84,322	84,322	75,840	8,482
Debt Service	<u>237,647</u>	<u>237,647</u>	<u>237,647</u>	<u>-</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>\$ 2,162,844</u></b>	<b><u>\$ 2,162,844</u></b>	<b><u>\$ 2,016,707</u></b>	<b><u>\$ 146,137</u></b>
<b><u>OTHER USES</u></b>				
Interfund Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,400</u>	
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<b><u>\$ 2,162,844</u></b>	<b><u>\$ 2,162,844</u></b>	<b><u>\$ 2,064,107</u></b>	

**VILLAGE OF MONTEBELLO**  
**STATEMENT OF INDEBTEDNESS**  
**AS OF DECEMBER 31, 2009**

	<u>DATE OF ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF FISCAL YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>PAID DURING YEAR</u>	<u>OUTSTANDING END OF YEAR</u>	<u>AMOUNT OF INTEREST PAID DURING THE YEAR</u>
<b><u>BONDS</u></b>								
<b><u>STATUTORY INSTALLMENT BONDS</u></b>								
Village Hall Renovations and Community Center	09/01/07	09/01/22	4.00%	\$ 1,760,000	-	\$ 100,000	\$ 1,660,000	\$ 72,090
Road Reconstruction	10/15/05	10/15/20	4.18%	615,000	-	40,000	575,000	25,557
<b><u>TOTAL STATUTORY INSTALLMENT BONDS</u></b>				<b><u>\$ 2,375,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 140,000</u></b>	<b><u>\$ 2,235,000</u></b>	<b><u>\$ 97,647</u></b>
<b><u>TOTAL INDEBTEDNESS</u></b>				<b><u>\$ 2,375,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 140,000</u></b>	<b><u>\$ 2,235,000</u></b>	<b><u>\$ 97,647</u></b>