

CITY OF MONTCLAIR, CALIFORNIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2006



**Lance
Soll &
Lunghard
LLP**
Certified Public Accountants

CITY OF MONTCLAIR, CALIFORNIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

Prepared By:
FINANCE DEPARTMENT



CITY OF MONTCLAIR
 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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CITY OF MONTCLAIR
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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Certified Public Accountants

Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

Retired
Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Montclair, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Montclair, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Montclair'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

The City of Montclair has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Montclair as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparison of the General Fund and the Montclair Housing Corporation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006, on our consideration of the City of Montclair's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.





To the Honorable Mayor and Members of the City Council
City of Montclair, California

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Montclair. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lunghard, LLP

November 8, 2006

CITY OF MONTCLAIR

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 52,648,344	\$ 2,207,961	\$ 54,856,305
Receivables:			
Accounts	2,381,767	306,640	2,688,407
Taxes	483,932	-	483,932
Contract and notes	3,557,723	-	3,557,723
Accrued interest	396,595	14,484	411,079
Internal balances	96,168	(96,168)	-
Prepaid costs	185,845	-	185,845
Unamortized debt issuance costs	924,408	-	924,408
Due from other governments	6,094,198	750	6,094,948
Restricted assets:			
Cash with fiscal agent	36,586,046	-	36,586,046
Capital assets not being depreciated	20,962,331	94,386	21,056,717
Capital assets, net of depreciation	14,526,070	2,538,943	17,065,013
Total Assets	138,843,427	5,066,996	143,910,423
Liabilities:			
Accounts payable	3,110,858	80,510	3,191,368
Accrued liabilities	224,492	10,559	235,051
Accrued interest	642,789	-	642,789
Unearned revenue	215,762	-	215,762
Deposits payable	484,607	-	484,607
Due to other governments	3,574,686	261,819	3,836,505
Noncurrent liabilities:			
Due within one year	1,579,393	3,649	1,583,042
Due in more than one year	70,302,460	82,019	70,384,479
Total Liabilities	80,135,047	438,556	80,573,603
Net Assets:			
Invested in capital assets, net of related debt	4,188,401	2,633,329	6,821,730
Restricted for:			
Community development projects	54,339	-	54,339
Public safety	484,631	-	484,631
Capital projects	5,671,235	-	5,671,235
Debt service	11,038,828	-	11,038,828
Unrestricted	37,270,946	1,995,111	39,266,057
Total Net Assets	\$ 58,708,380	\$ 4,628,440	\$ 63,336,820

CITY OF MONTCLAIR

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,554,502	\$ 3,595,413	\$ 788,466	\$ -
Public safety	16,154,950	1,094,188	113,778	-
Community development	3,895,263	-	197,761	-
Parks and recreation	90,265	140,983	114,544	-
Public works	4,899,753	2,082,089	30,604	-
Interest on long-term debt	3,729,291	-	-	-
Total Governmental Activities	38,324,024	6,912,673	1,245,153	-
Business-Type Activities:				
Sewer maintenance fund	2,007,852	1,507,991	-	-
Total Business-Type Activities	2,007,852	1,507,991	-	-
Total Primary Government	\$ 40,331,876	\$ 8,420,664	\$ 1,245,153	\$ -

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes

Intergovernmental, unrestricted:

- Motor vehicle in lieu
- Use of money and property
- Gain on sale of property
- Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

CITY OF MONTCLAIR

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Functions/Programs			
Primary Government:			
Governmental Activities:			
General government	\$ (5,170,623)	\$ -	\$ (5,170,623)
Public safety	(14,946,984)	-	(14,946,984)
Community development	(3,697,502)	-	(3,697,502)
Parks and recreation	165,262	-	165,262
Public works	(2,787,060)	-	(2,787,060)
Interest on long-term debt	(3,729,291)	-	(3,729,291)
Total Governmental Activities	(30,166,198)	-	(30,166,198)
Business-Type Activities:			
Sewer maintenance fund	-	(499,861)	(499,861)
Total Business-Type Activities	-	(499,861)	(499,861)
Total Primary Government	(30,166,198)	(499,861)	(30,666,059)
	12,526,846	-	12,526,846
	35,140	-	35,140
	17,412,441	-	17,412,441
	516,038	-	516,038
	764,282	-	764,282
	2,197,570	-	2,197,570
	121,184	-	121,184
	3,622,367	51,786	3,674,153
	191,434	-	191,434
	1,662,283	4,000	1,666,283
	39,049,585	55,786	39,105,371
	8,883,387	(444,075)	8,439,312
	50,676,303	5,072,515	55,748,818
	(851,310)	-	(851,310)
	\$ 58,708,380	\$ 4,628,440	\$ 63,336,820

CITY OF MONTCLAIR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Special Revenue Funds Montclair Housing Corporation</u>	<u>Capital Project Fund Montclair Redevelopment Agency</u>
Assets:			
Pooled cash and investments	\$ 12,824,034	\$ 1,488,035	\$ 20,809,297
Receivables:			
Accounts	2,070,053	77,733	43,666
Taxes	-	-	96,786
Contract and notes	918	15,762	3,541,043
Accrued interest	137,245	-	178,593
Prepaid costs	180,076	5,769	-
Due from other governments	5,431,596	-	56,648
Due from other funds	2,635,601	-	903,378
Advances to other funds	447,666	-	1,901,270
Restricted assets:			
Cash and investments with fiscal agents	13,574	31,346	700
Total Assets	\$ 23,740,763	\$ 1,618,645	\$ 27,531,381
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,479,417	\$ 54,645	\$ 392,165
Accrued liabilities	218,068	-	-
Due to other funds	284,858	-	916,134
Deferred revenues	647,898	-	-
Unearned revenue	215,762	-	-
Advances from other funds	-	1,901,270	313,808
Deposits payable	448,603	32,603	2,676
Due to other governments	417,791	1,063	583,559
Total Liabilities	3,712,397	1,989,581	2,208,342
Fund Balances:			
Reserved:			
Reserved for encumbrances	423,016	-	-
Reserved for projects	887,258	-	-
Reserved for prepaid costs	180,076	5,769	-
Reserved for long-term receivables	-	-	4,641,043
Reserved for advances to other funds	447,666	-	1,901,270
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Designated for capital improvement projects	-	-	18,780,726
Designated for debt service	-	-	-
Undesignated	18,090,350	(376,705)	-
Total Fund Balances	20,028,366	(370,936)	25,323,039
Total Liabilities and Fund Balances	\$ 23,740,763	\$ 1,618,645	\$ 27,531,381

CITY OF MONTCLAIR

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

Continued

	Debt Service Funds		Other Governmental Funds
	2005 Lease Revenue Bonds	Montclair Redevelopment Agency	
Assets:			
Pooled cash and investments	\$ -	\$ 7,654,560	\$ 9,872,418
Receivables:			
Accounts	-	-	190,315
Taxes	-	387,146	-
Contract and notes	-	-	-
Accrued interest	-	47,261	33,496
Prepaid costs	-	-	-
Due from other governments	-	-	605,954
Due from other funds	-	887,984	418,894
Advances to other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	31,173,181	5,294,629	72,616
Total Assets	\$ 31,173,181	\$ 14,271,580	\$ 11,193,693
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 187	\$ 1,184,444
Accrued liabilities	-	-	6,424
Due to other funds	-	875,228	2,673,469
Deferred revenues	-	-	75,429
Unearned revenue	-	-	-
Advances from other funds	-	-	133,858
Deposits payable	-	-	725
Due to other governments	-	2,357,337	214,936
Total Liabilities	-	3,232,752	4,289,285
Fund Balances:			
Reserved:			
Reserved for encumbrances	-	-	199,198
Reserved for projects	-	-	-
Reserved for prepaid costs	-	-	-
Reserved for long-term receivables	-	-	-
Reserved for advances to other funds	-	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	7,167,927
Capital projects funds	-	-	(462,717)
Designated for capital improvement projects	-	-	-
Designated for debt service	31,173,181	11,038,828	-
Undesignated	-	-	-
Total Fund Balances	31,173,181	11,038,828	6,904,408
Total Liabilities and Fund Balances	\$ 31,173,181	\$ 14,271,580	\$ 11,193,693

See Notes to Financial Statements

CITY OF MONTCLAIR

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	Total Governmental Funds
Assets:	
Pooled cash and investments	\$ 52,648,344
Receivables:	
Accounts	2,381,767
Taxes	483,932
Contract and notes	3,557,723
Accrued interest	396,595
Prepaid costs	185,845
Due from other governments	6,094,198
Due from other funds	4,845,857
Advances to other funds	2,348,936
Restricted assets:	
Cash and investments with fiscal agents	36,586,046
Total Assets	\$ 109,529,243
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 3,110,858
Accrued liabilities	224,492
Due to other funds	4,749,689
Deferred revenues	723,327
Unearned revenue	215,762
Advances from other funds	2,348,936
Deposits payable	484,607
Due to other governments	3,574,686
Total Liabilities	15,432,357
Fund Balances:	
Reserved:	
Reserved for encumbrances	622,214
Reserved for projects	887,258
Reserved for prepaid costs	185,845
Reserved for long-term receivables	4,641,043
Reserved for advances to other funds	2,348,936
Unreserved:	
Unreserved, reported in nonmajor:	
Special revenue funds	7,167,927
Capital projects funds	(462,717)
Designated for capital improvement projects	18,780,726
Designated for debt service	42,212,009
Undesignated	17,713,645
Total Fund Balances	94,096,886
Total Liabilities and Fund Balances	\$ 109,529,243

CITY OF MONTCLAIR

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Fund balances of governmental funds	\$ 94,096,886
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	35,488,401
Long-term debt and compensated absences that have not been included in the governmental fund activity.	(70,957,445)
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(642,789)
The accrued interest on interfund loans between the City and Redevelopment Agency were recorded as deferred revenue in the governmental funds. They are included as interest revenue in the governmental fund activity.	<u>723,327</u>
Net assets of governmental activities	<u>\$ 58,708,380</u>

CITY OF MONTCLAIR

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Special Revenue Fund Montclair Housing Corporation	Capital Project Fund Montclair Redevelopment Agency
Revenues:			
Taxes	\$ 24,407,838	\$ -	\$ 1,944,429
Licenses and permits	1,308,469	-	-
Intergovernmental	664,440	-	23,661
Charges for services	2,642,423	-	-
Use of money and property	575,193	692,914	986,271
Fines and forfeitures	387,721	-	-
Miscellaneous	116,131	4,756	525,016
Total Revenues	30,102,215	697,670	3,479,377
Expenditures:			
Current:			
General government	5,460,880	549,128	2,413,633
Public safety	14,931,311	-	-
Community development	2,145,978	-	350,716
Public works	3,928,638	-	-
Capital outlay	394,308	-	1,320,563
Debt service:			
Principal retirement	33,582	-	-
Interest and fiscal charges	1,165	-	-
Total Expenditures	26,895,862	549,128	4,084,912
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,206,353	148,542	(605,535)
Other Financing Sources (Uses):			
Transfers in	325,032	-	1,475,305
Transfers out	(1,773,067)	-	-
Total Other Financing Sources (Uses)	(1,448,035)	-	1,475,305
Net Change in Fund Balances	1,758,318	148,542	869,770
Fund Balances, Beginning of Year, as originally reported	18,142,562	(519,478)	21,274,471
Restatements	127,486	-	3,178,798
Fund Balances, Beginning of Year, as restated	18,270,048	(519,478)	24,453,269
Fund Balances, End of Year	\$ 20,028,366	\$ (370,936)	\$ 25,323,039

CITY OF MONTCLAIR

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Continued

	Debt Service Funds		
	2005 Lease Revenue Bonds	Montclair Redevelopment Agency	Other Governmental Funds
Revenues:			
Taxes	\$ -	\$ 6,300,968	\$ 936,400
Licenses and permits	-	-	-
Intergovernmental	-	-	2,601,338
Charges for services	-	-	287,626
Use of money and property	769,704	406,258	192,027
Fines and forfeitures	-	-	628,150
Miscellaneous	-	228,906	1,096,827
Total Revenues	769,704	6,936,132	5,742,368
Expenditures:			
Current:			
General government	-	696,506	144,084
Public safety	-	-	754,029
Community development	-	285,391	999,880
Public works	-	-	119,259
Capital outlay	-	-	2,898,900
Debt service:			
Principal retirement	-	770,000	-
Interest and fiscal charges	1,174,024	2,338,965	-
Total Expenditures	1,174,024	4,090,862	4,916,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	(404,320)	2,845,270	826,216
Other Financing Sources (Uses):			
Transfers in	1,115,067	-	658,000
Transfers out	-	(1,475,305)	(325,032)
Total Other Financing Sources (Uses)	1,115,067	(1,475,305)	332,968
Net Change in Fund Balances	710,747	1,369,965	1,159,184
Fund Balances, Beginning of Year, as originally reported	30,462,434	13,023,873	5,742,873
Restatements	-	(3,355,010)	2,351
Fund Balances, Beginning of Year, as restated	30,462,434	9,668,863	5,745,224
Fund Balances, End of Year	\$ 31,173,181	\$ 11,038,828	\$ 6,904,408

CITY OF MONTCLAIR

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Total Governmental Funds
Revenues:	
Taxes	\$ 33,589,635
Licenses and permits	1,308,469
Intergovernmental	3,289,439
Charges for services	2,930,049
Use of money and property	3,622,367
Fines and forfeitures	1,015,871
Miscellaneous	1,971,636
	<hr/>
Total Revenues	47,727,466
	<hr/>
Expenditures:	
Current:	
General government	9,264,231
Public safety	15,685,340
Community development	3,781,965
Public works	4,047,897
Capital outlay	4,613,771
Debt service:	
Principal retirement	803,582
Interest and fiscal charges	3,514,154
	<hr/>
Total Expenditures	41,710,940
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,016,526
	<hr/>
Other Financing Sources (Uses):	
Transfers in	3,573,404
Transfers out	(3,573,404)
	<hr/>
Total Other Financing Sources (Uses)	-
	<hr/>
Net Change in Fund Balances	6,016,526
	<hr/>
Fund Balances, Beginning of Year, as originally reported	88,126,735
Restatements	(46,375)
	<hr/>
Fund Balances, Beginning of Year, as restated	88,080,360
	<hr/>
Fund Balances, End of Year	\$ 94,096,886
	<hr/> <hr/>

CITY OF MONTCLAIR

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ 6,016,526
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,534,655
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	765,632
Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period.	(177,187)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(63,858)
The claims and judgments expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	88,308
Governmental funds report deferred revenue for revenues not received within a certain amount of time, approximately 90 days, per GASB 33. However, in the statement of activities, these revenues are recognized under the full accrual.	<u>(280,689)</u>
Change in net assets of governmental activities	<u><u>\$ 8,883,387</u></u>

CITY OF MONTCLAIR

**BUDGETARY COMPARISON STATEMENT BY FUNCTION
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 18,270,048	\$ 18,270,048	\$ 18,270,048	\$ -
Resources (Inflows):				
Taxes	21,063,400	22,434,531	24,407,838	1,973,307
Licenses and Permits	497,075	808,075	1,308,469	500,394
Intergovernmental	2,512,600	2,760,743	664,440	(2,096,303)
Charges for Services	2,647,750	2,637,750	2,642,423	4,673
Use of money and property	374,400	414,400	575,193	160,793
Fines and forfeitures	330,000	370,000	387,721	17,721
Other	227,500	210,450	116,131	(94,319)
Transfers from other funds	-	836,465	325,032	(511,433)
Amounts Available for Appropriation	45,922,773	48,742,462	48,697,295	(45,167)
Charges to Appropriation (Outflow):				
General government	5,808,988	5,915,813	5,460,880	454,933
Public safety	14,250,017	14,746,731	14,931,311	(184,580)
Community development	2,147,667	2,208,840	2,145,978	62,862
Public works	4,106,062	4,313,240	3,928,638	384,602
Capital outlay	724,600	493,245	394,308	98,937
Debt Service:				
Principal	-	-	33,582	(33,582)
Interest and fiscal charges	-	-	1,165	(1,165)
Transfers to other funds	-	2,269,697	1,773,067	496,630
Total Charges to Appropriations	27,037,334	29,947,566	28,668,929	1,278,637
Budgetary Fund Balance, June 30	\$ 18,885,439	\$ 18,794,896	\$ 20,028,366	\$ 1,233,470

See Notes to Financial Statements

CITY OF MONTCLAIR

**BUDGETARY COMPARISON STATEMENT
MONTCLAIR HOUSING CORPORATION
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (519,478)	\$ (519,478)	\$ (519,478)	\$ -
Resources (Inflows):				
Investment income	1,766,580	666,580	692,914	26,334
Other	9,468	1,109,468	4,756	(1,104,712)
Amounts Available for Appropriation	1,256,570	1,256,570	178,192	(1,078,378)
Charges to Appropriation (Outflow):				
General government	1,817,660	-	549,128	(549,128)
Debt Service:				
Principal	196,772	-	-	-
Interest and fiscal charges	57,516	-	-	-
Total Charges to Appropriations	2,071,948	-	549,128	(549,128)
Budgetary Fund Balance, June 30	\$ (815,378)	\$ 1,256,570	\$ (370,936)	\$ (1,627,506)

See Notes to Financial Statements

CITY OF MONTCLAIR

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

Assets:

Cash and investments	<u>\$ 746,006</u>
Total Assets	<u><u>\$ 746,006</u></u>

Liabilities:

Due to other governments	<u>\$ 746,006</u>
Total Liabilities	<u><u>\$ 746,006</u></u>

CITY OF MONTCLAIR
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of Entity

The reporting entity is a municipal corporation governed by an elected mayor and a four-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Montclair, California (the City), and its component units, entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operation, so data from these units are combined herein. The following criteria were used in the determination of blended units:

1. The members of the City Council also act as the governing body of the Montclair Redevelopment Agency and Montclair Housing Corporation.
2. The City, Agency and Housing Corporation are financially interdependent. The City makes loans to the Agency for use on redevelopment projects. Property tax revenues of the Agency are used to repay loans from the City.
3. The Agency and Housing Corporation are managed by employees of the City. A portion of the City's salary and overhead expenses are billed to the Agency and Housing Corporation each year.

The City of Montclair was incorporated April 25, 1956, under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities.

Blended Component Units

The Montclair Redevelopment Agency (the Agency) was activated June 6, 1977, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Development Law." The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse arising from poor and inadequate planning, inadequate street layout and street access, lack of open space, landscaping and other improvements and facilities necessary to establish and maintain the economic growth of the City.

The Montclair Housing Corporation (the Corporation) was established on September 1993. The primary purpose of the Corporation is to assist property owners in rejuvenating and improving substandard housing conditions within the City.

Since the governing body of the Agency and Corporation are the same, their data has been blended into that of the financial reporting entity. Complete financial statements for the individual blended component units can be obtained by writing to: City of Montclair, 5111 Benito Street, Montclair, CA 91763.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Montclair Housing Corporation is presented as a special revenue fund and accounts for the activities associated with the maintenance of various rental housing properties within the City.
- The Montclair Redevelopment Agency's Capital Project Fund accounts for the financing, construction and administrative activities of the Agency's five project areas.
- The 2005 Lease Revenue Bonds accounts for bond proceeds from the 2005 Lease Revenue Bonds.
- The Montclair Redevelopment Agency's Debt Service Fund accounts for the accumulation of funds for the payment of principal and interest of various bond issues and loans to the City for the Agency's five project areas.

Additionally, the City reports the following fund types:

- Agency funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations and/or other governmental units.

Private-sector standards of accounting and financial reporting issued after November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Montclair
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

d. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Proprietary Funds.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Policy for Eliminating Internal Activity in Government-Wide Statement of Activities

Administrative overhead charges are made to funds and programs and are thereby included in the direct expenses of those funds and programs.

Property Tax Calendar

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of San Bernardino collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of January each year and are delinquent, if unpaid, on August 31.

Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- General Government includes legislative activities which have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities which provide management or support services across more than one functional area.
- Public Safety includes those activities which involve the protection of people and property.
- Community Development includes those activities which involve the enhancing of the general quality of life.
- Public Works includes those activities which involve the maintenance and improvement of City streets, roads and park department development and maintenance.
- Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

Prepaid Items

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

Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for future capital improvements by City resolution.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in the current year. As the City is still in the process of compiling the necessary data, and as permitted under GASB Statement No. 34, the City has not reported any infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer lines	100
Structures and improvements	20-99
Furniture and equipment	5-20
Infrastructure	5-30

Compensated Absences

Compensated absences are the City's liabilities for future vacation, sick and other leave benefits. The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year. The total amount of liability for compensated absences is segregated between short-term and long-term as indicated above, with both portions being reflected in the government-wide financial statements. Compensated absences are paid, if matured, out of the general fund.

For Proprietary Funds, the total amount of the liability for compensated absences is segregated between short-term and long-term as indicated above and both portions are reflected in the fund involved.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than two times his regular annual entitlement without approval of the City Manager.

Sick leave is payable when an employee is unable to work because of illness. Sick leave may be accumulated indefinitely or an employee may convert one-half of unused sick leave accrued during the preceding year for cash providing the person has been employed on a full-time basis for two years immediately preceding November 30 of each year. Unused sick leave may be redeemed in the two years prior to retirement at the rate of two days of sick leave for one day of absence leave. All unused sick leave is forfeited upon termination, other than for normal retirement.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance, governmental funds, and net assets of governmental activities as reported in the government-wide statement of net assets. The detail of the \$(70,957,445) difference is as follows:

Long-term debt:	
Tax allocation bonds payable	\$ (36,235,000)
Lease revenue bonds	(31,300,000)
Debt issuance costs	924,408
Bond discount	147,342
Accrued claims and judgments	(2,132,947)
Compensated absences	<u>(2,361,248)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (70,957,445)</u>

All of these items are not present in the governmental funds because of differences in basis of accounting between the two financial statement presentation methods.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 1: Summary of Significant Accounting Policies (Continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances – of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$2,534,655 difference are as follows:

Capital outlay adjustments	\$ 3,689,741
Depreciation expense	<u>(1,155,086)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,534,655</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$765,632 difference are as follows:

Principal repayments:	
Tax allocation bonds	\$ 770,000
Capital leases payable	33,582
Amortization:	
Debt issuance costs	(32,779)
Bond discount	<u>(5,171)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 765,632</u>

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end, all operating budget

City of Montclair
Notes to Financial Statements (Continued)

Note 2: Stewardship, Compliance and Accountability (Continued)

appropriations lapse. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Federal Asset Forfeiture – Treasury, OCJP Grant, Office of Traffic Safety Grant, Justice Assistance Grant Special Revenue Funds and the Ramona Grade Separation Project Capital Project Fund did not have legally adopted budget.

b. Deficit Fund Balances

The following funds contained deficit fund balances at June 30, 2006:

Special Revenue Funds:	
Montclair Housing Corporation	\$ (370,936)
Older American Act	(6,365)
Federal Asset Forfeiture-DOJ	(3,424)
Local Law Enforcement Block Grant	(3,882)
Recycling Block Grant	(1,798)
OCJP Grant	(14,079)
Automated Traffic Enforcement	(440,673)
Capital Projects Funds:	
Monte Vista Grade Separation Project	(1,359,637)
Ramona Grade Separation Project	(1,100)
Police Facility Capital Project	(187,126)

These deficits will be funded with future years revenues.

c. Excess of Expenditures over Appropriations

For the year ended June 30, 2006, the following funds had expenditures that exceeded the budget as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Public Safety	\$ 14,931,311	\$ 14,746,731	\$ 184,580

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2006, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 89,234,390
Business-type activities	2,207,961
Fiduciary funds	<u>746,006</u>
Total Cash and Investments	<u>\$ 92,188,357</u>

**City of Montclair
Notes to Financial Statements (Continued)**

Note 2: Stewardship, Compliance and Accountability (Continued)

The City of Montclair maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

Deposits

At June 30, 2006, the carrying amount of the City's deposits was \$6,540,803, and the bank balance was \$6,920,328. The \$379,525 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

Under provisions of the Agency's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Bonds issues by the local agency
- United States Treasury notes, bonds, bills or certificates
- Registered state warrants or treasury notes or bonds of California
- Bonds, notes, warrants or other evidences of indebtedness of any local agency of the State of California
- Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments
- Bankers Acceptances
- Commercial paper
- Negotiable certificates of deposit
- Repurchase Agreements
- Reverse repurchase agreements
- Medium-term notes
- Money market funds
- Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest
- Mortgage pass-through securities
- Local Agency Investment fund

City of Montclair
Notes to Financial Statements (Continued)

Note 2: Stewardship, Compliance and Accountability (Continued)

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement of No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "A" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2006, the City has no investment in medium-term notes. In addition, the City's investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal Farm Credit Banks were rated "AAA" by Moody's and by S&P. All securities were investment grade and were legal under State law. Investments in U.S. treasuries are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2006, the City's investments in external investment pools and money market mutual funds are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2006, none of the City's deposits or investments were exposed to custodial credit risk.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 2: Stewardship, Compliance and Accountability (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. With respect to concentration risk, as of June 30, 2006, the City is in compliance with the investment policy restrictions. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

The City has invested more than 5% of the total investment value with the following issuers:

Federal Home Loan Bank	\$ 25,003,057	29.19%
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Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 15% of the City's portfolio shall mature in one year or less, and 50% in three years or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax-exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2006, the City had the following investments and original maturities:

<u>Investment Type:</u>	Remaining Investment Maturities				Fair Value
	6 months or less	6 months to 1 year	1 to 3 years	3 to 5 years	
Local Agency Investment Fund	\$ 15,775,498	\$ -	\$ -	\$ -	\$ 15,775,498
Certificates of Deposit	487,972	-	-	-	487,972
Federal National Mortgage Assoc.	-	982,810	1,873,499	488,750	3,345,059
Federal Home Loan Mortgage Corp.	499,805	489,530	2,976,715	-	3,966,050
Federal Home Loan Bank	3,334,813	5,893,610	12,831,034	2,943,600	25,003,057
Federal Farm Credit Banks	498,440	-	-	-	498,440
Money Market Mutual funds - held by fiscal agent	36,571,478	-	-	-	36,571,478
Total	\$ 57,168,006	\$ 7,365,950	\$ 17,681,248	\$ 3,432,350	\$ 85,647,554

City of Montclair
Notes to Financial Statements (Continued)

IV. OTHER INFORMATION

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Adjustments	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 10,658,549	\$ (804,935)	\$ 9,853,614	\$ -	\$ 58,281	\$ -	\$ 9,795,333
Work in progress	6,315,835		6,315,835	2,386,849	-	(9,076)	8,693,608
Land improvements	2,473,390		2,473,390	-	-	-	2,473,390
Total Capital Assets, Not Being Depreciated	<u>19,447,774</u>	<u>(804,935)</u>	<u>18,642,839</u>	<u>2,386,849</u>	<u>58,281</u>	<u>(9,076)</u>	<u>20,962,331</u>
Capital assets, being depreciated:							
Structures and improvements	9,800,967	-	9,800,967	-	163,398	-	9,637,569
Furniture and equipment	6,763,728	-	6,763,728	559,124	279,901	-	7,042,951
Infrastructure	6,766,891		6,766,891	983,134	-	9,076	7,759,101
Total Capital Assets, Being Depreciated	<u>23,331,586</u>	<u>-</u>	<u>23,331,586</u>	<u>1,542,258</u>	<u>443,299</u>	<u>9,076</u>	<u>24,439,621</u>
Less accumulated depreciation:							
Structures and improvements	3,862,273	-	3,862,273	213,034	17,121	-	4,058,186
Furniture and equipment	4,572,183	-	4,572,183	503,981	245,093	-	4,831,071
Infrastructure	586,223		586,223	438,071	-	-	1,024,294
Total Accumulated Depreciation	<u>9,020,679</u>	<u>-</u>	<u>9,020,679</u>	<u>1,155,086</u>	<u>262,214</u>	<u>-</u>	<u>9,913,551</u>
Total Capital Assets, Being Depreciated, Net	<u>14,310,907</u>	<u>-</u>	<u>14,310,907</u>	<u>387,172</u>	<u>181,085</u>	<u>9,076</u>	<u>14,526,070</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,758,681</u>	<u>\$ (804,935)</u>	<u>\$ 32,953,746</u>	<u>\$ 2,774,021</u>	<u>\$ 239,366</u>	<u>\$ -</u>	<u>\$ 35,488,401</u>
Business-Type Activities:							
Capital assets, being depreciated:							
Work in progress	\$ 78,713	\$ -	\$ 78,713	\$ 15,674	\$ -	\$ -	\$ 94,387
Total Capital Assets, Not Being Depreciated	<u>78,713</u>	<u>-</u>	<u>78,713</u>	<u>15,674</u>	<u>-</u>	<u>-</u>	<u>94,387</u>
Capital assets, being depreciated:							
Sewer lines	3,333,838	-	3,333,838	-	-	-	3,333,838
Furniture and equipment	676,205	-	676,205	-	-	-	676,205
Total Capital Assets, Being Depreciated	<u>4,010,043</u>	<u>-</u>	<u>4,010,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,010,043</u>
Less accumulated depreciation:							
Sewer lines	1,041,768	-	1,041,768	33,339	-	-	1,075,107
Furniture and equipment	358,792	-	358,792	37,202	-	-	395,994
Total Accumulated Depreciation	<u>1,400,560</u>	<u>-</u>	<u>1,400,560</u>	<u>70,541</u>	<u>-</u>	<u>-</u>	<u>1,471,101</u>
Total Capital Assets, Being Depreciated, Net	<u>2,609,483</u>	<u>-</u>	<u>2,609,483</u>	<u>(70,541)</u>	<u>-</u>	<u>-</u>	<u>2,538,942</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,688,196</u>	<u>\$ -</u>	<u>\$ 2,688,196</u>	<u>\$ (54,867)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,633,329</u>

**City of Montclair
Notes to Financial Statements (Continued)**

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 352,627
Public safety	391,161
Parks and recreation	69,725
Public works	284,827
Community development	<u>56,746</u>
Total Governmental Activities	<u>\$ 1,155,086</u>
 Business-Type Activities:	
Sewer	<u>\$ 70,541</u>

Note 5: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2006 was as follows:

Due To/From Other Funds

Funds	Due to Other Funds:					Total
	General Fund	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	Sewer Maintenance	Nonmajor Governmental Funds	
Due From Other Funds:						
General	\$ -	\$ -	\$ -	\$ 99,120	\$ 2,536,481	\$ 2,635,601
Redevelopment Agency Capital Projects	-	903,378	-	-	-	903,378
Redevelopment Agency Debt Service	-	12,756	875,228	-	-	887,984
Sewer Maintenance	2,952	-	-	-	-	2,952
Nonmajor Governmental	281,906	-	-	-	136,988	418,894
Total	<u>\$ 284,858</u>	<u>\$ 916,134</u>	<u>\$ 875,228</u>	<u>\$ 99,120</u>	<u>\$ 2,673,469</u>	<u>\$ 4,848,809</u>

Interfund receivables and payables are used to loan amounts between funds to provide temporary funds for operations.

Advances To/From Other Funds

Funds	Advances To Other Funds:		Total
	General Fund	Redevelopment Agency Capital Projects	
Advances From Other Funds:			
Montclair Housing Corporation	\$ -	\$ 1,901,270	\$ 1,901,270
Redevelopment Agency Capital Project	313,808	-	313,808
Nonmajor Governmental Funds	133,858	-	133,858
Total	<u>\$ 447,666</u>	<u>\$ 1,901,270</u>	<u>\$ 2,348,936</u>

City of Montclair
Notes to Financial Statements (Continued)

Note 5: Interfund Receivable, Payable and Transfers (Continued)

The Redevelopment Agency advanced \$1,901,270 to the Montclair Housing Corporation for the purpose of carrying out the redevelopment and rehabilitation of multifamily and single-family housing leased by the Montclair Housing Corporation. The General Fund advance balance of \$447,666 represents seven promissory notes (loans) to the Redevelopment Agency for the purpose of carrying out redevelopment projects. The General Fund has advance balances of \$133,858 representing two loans for the development of the skate park (\$123,545) and Kingsley Park lighting project (\$10,313).

Interfund Transfers

	Transfers In:				Total
	General Fund	Redevelopment Agency Capital Projects	2005 Lease Revenue Bonds	Nonmajor Funds	
Transfers Out:					
General	\$ -	\$ -	\$ 1,115,067	\$ 658,000	\$ 1,773,067
Redevelopment Agency Debt Service	-	1,475,305	-	-	1,475,305
Nonmajor Funds	325,032	-	-	-	325,032
Total	\$ 325,032	\$ 1,475,305	\$ 1,115,067	\$ 658,000	\$ 3,573,404

The General fund transferred \$658,000 to various nonmajor funds to meet funding requirements, to repair infrastructure within the City and for future City facility improvements. The General Fund transferred \$1,115,067 to the 2005 Lease Revenue Bond fund for the annual debt service funding requirement. The Traffic Safety fund transferred \$319,032 to the General Fund to reimburse traffic safety enforcement costs. The Gas Tax fund transferred \$6,000 to the General Fund to reimburse administrative costs. The RDA Debt Service funds transferred \$1,475,305 to the RDA Capital Projects fund to fund capital projects.

Note 6: Long-Term Debt

a. Governmental Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Tax allocation bonds payable	\$ 37,005,000	\$ -	\$ 770,000	\$ 36,235,000	\$ 810,000
Claims and judgments	2,221,255	-	88,308	2,132,947	74,556
Compensated absences	2,297,390	63,858	-	2,361,248	129,837
Capitalized leases	33,582	-	33,582	-	-
Lease Revenue Bonds	31,300,000	-	-	31,300,000	565,000
	\$ 72,857,227	\$ 63,858	\$ 891,890	72,029,195	\$ 1,579,393
				Less: unamortized discount	147,342
				Net Long-Term Debt	\$ 71,881,853

**City of Montclair
Notes to Financial Statements (Continued)**

Note 6: Long-Term Debt (Continued)

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

2005 Lease Revenue Bonds

During fiscal 2004-2005, the City issued \$31,300,000 of 2005 Lease Revenue Bonds. Interest on the bonds is payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2005. The bonds carry various interest rates from 2.625% to 4.750%. Principal maturities begin on October 1, 2006, and continue on October 1 of each year through October 1, 2035. The bonds were used to finance police facilities and a senior/youth center and to pay certain costs of issuance in association therewith. The outstanding balance at June 30, 2006 was \$31,300,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

	2005 Lease Revenue Bonds	
	Principal	Interest
2006 - 2007	\$ 565,000	\$ 1,357,317
2007 - 2008	580,000	1,341,201
2008 - 2009	595,000	1,323,576
2009 - 2010	615,000	1,305,426
2010 - 2011	630,000	1,283,601
2011 - 2016	3,560,000	6,011,093
2016 - 2021	4,310,000	5,239,771
2021 - 2026	5,335,000	4,186,455
2026 - 2031	6,695,000	2,793,093
2031 - 2036	8,415,000	1,025,188
Totals	<u>\$ 31,300,000</u>	<u>\$ 25,866,721</u>

2004 Tax Allocation Refunding Bonds, Project Area IV

On February 1, 2004, the Agency issued \$5,700,000 of the Redevelopment Project Area No. 4 2004 Tax Allocation Refunding Bonds. The bonds were issued to refund the Agency's 1992 Tax Allocation Bonds outstanding in the amount of \$1,605,000. Interest on the bonds is payable semi-annually on April 1 and October 1 in each year, commencing on October 1, 2004. The bonds carry an interest rate of 5.07%. Principal maturities begin on October 1, 2004, and continue on October 1 of each year through October 1, 2031. The outstanding balance at June 30, 2006 was \$5,370,000. The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

City of Montclair
Notes to Financial Statements (Continued)

Note 6: Long-Term Debt (Continued)

	2004 Tax Allocation Refunding Bonds, Project Area IV	
	Principal	Interest
2006 - 2007	\$ 120,000	\$ 250,063
2007 - 2008	120,000	247,063
2008 - 2009	125,000	243,688
2009 - 2010	130,000	239,700
2010 - 2011	130,000	235,313
2011 - 2016	740,000	1,091,244
2016 - 2021	935,000	888,625
2021 - 2026	1,195,000	624,375
2026 - 2031	1,525,000	285,625
2031 - 2036	350,000	8,750
Totals	<u>\$ 5,370,000</u>	<u>\$ 4,114,446</u>

2001 Tax Allocation Refunding Bonds, Project Area V

On July 1, 2001, the Agency issued \$9,350,000 of 2001 Tax Allocation Refunding Bonds. The bonds were issued to refund the Agency's 1992 Tax Allocation Bonds outstanding in the amount of \$4,435,000 and the 1995 Tax Allocation Bonds outstanding in the amount of \$1,945,000. Interest on the bonds is payable semi-annually on April 1 and October 1 in each year commencing on October 1, 2001. Principal maturities on the term bonds are October 1, 2020 and October 1, 2030, and carry interest rates of 5.17% and 5.37%, respectively. The outstanding balance as of June 30, 2006 was \$9,350,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

	2001 Tax Allocation Refunding Bonds, Project Area V	
	Principal	Interest
2006 - 2007	\$ -	\$ 484,960
2007 - 2008	-	484,960
2008 - 2009	-	484,960
2009 - 2010	-	484,960
2010 - 2011	-	484,960
2011 - 2016	1,550,000	2,238,550
2016 - 2021	1,980,000	1,799,300
2021 - 2026	2,535,000	1,220,458
2026 - 2031	3,285,000	453,018
Totals	<u>\$ 9,350,000</u>	<u>\$ 8,136,126</u>

1998 Taxable Tax Allocation Bonds, Project Area III

On January 1, 1998, the Agency issued \$5,900,000 of 1998 Taxable Tax Allocation Bonds for the purpose of financing the project area's capital projects. The bonds carry various interest rates from 6.50% to 6.90%. Interest on the bonds is payable semi-annually on June 1 and December 1 in each year, commencing on June 1, 1998.

City of Montclair
Notes to Financial Statements (Continued)

Note 6: Long-Term Debt (Continued)

Principal maturities began on December 1, 1998, and continue on December 1 of each year through 2027. The outstanding balance as of June 30, 2006 was \$5,225,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

	1998 Taxable Tax Allocation Bonds, Project Area III	
	Principal	Interest
2006 - 2007	\$ 110,000	\$ 353,190
2007 - 2008	120,000	345,715
2008 - 2009	125,000	337,753
2009 - 2010	135,000	329,303
2010 - 2011	140,000	320,365
2011 - 2016	860,000	1,443,600
2016 - 2021	1,205,000	1,091,753
2021 - 2026	1,685,000	597,023
2026 - 2031	845,000	59,168
Totals	<u>\$ 5,225,000</u>	<u>\$ 4,877,870</u>

1997 Tax Allocation Refunding Bonds, Project Area III

On October 15, 1997, the Agency issued \$17,220,000 of 1997 Tax Allocation Refunding Bonds. The bonds were issued to refund the Agency's 1987 Tax allocation Refunding bonds outstanding in the amount of \$10,670,000 and to repay other obligations of the Agency. Interest on the bonds is payable semi-annually on June 1 and December 1 in each year, commencing on June 1, 1998. The bonds carry various interest rates varying from 3.85% to 5.50%. Principal maturities began December 1, 1998, and continue on December 1 of each year through 2027. The balance outstanding as of June 30, 2006 was \$14,860,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

	1997 Tax Allocation Refunding Bonds, Project Area III	
	Principal	Interest
2006 - 2007	\$ 375,000	\$ 792,905
2007 - 2008	390,000	774,830
2008 - 2009	415,000	755,504
2009 - 2010	430,000	734,905
2010 - 2011	455,000	712,085
2011 - 2016	2,650,000	3,156,910
2016 - 2021	3,450,000	2,334,008
2021 - 2026	4,520,000	1,246,300
2026 - 2031	2,175,000	121,138
Totals	<u>\$ 14,860,000</u>	<u>\$ 10,628,585</u>

City of Montclair
Notes to Financial Statements (Continued)

Note 6: Long-Term Debt (Continued)

1997 Taxable Tax Allocation Bonds, Project Area 1

On November 1, 1997, the Agency issued \$325,000 of Redevelopment Project Area No. 1 1997 Taxable Tax Allocation Bonds for the purpose of financing the project area's capital projects. Interest is payable semi-annually on April and October 1 in each year, commencing on April 1, 1998 and through October 1, 2021. The bonds carry an interest rate of 8.4%. The outstanding balance as of June 30, 2006 was \$275,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

	1997 Taxable Tax Allocation Bonds, Project Area 1	
	Principal	Interest
2006 - 2007	\$ 10,000	\$ 22,680
2007 - 2008	10,000	21,840
2008 - 2009	10,000	21,000
2009 - 2010	10,000	20,160
2010 - 2011	10,000	19,320
2011 - 2016	80,000	78,540
2016 - 2021	115,000	38,010
2021 - 2026	30,000	1,260
Totals	<u>\$ 275,000</u>	<u>\$ 222,810</u>

1995 Tax Allocation Bonds, Project Area V

During 1994-1995, the Agency issued \$435,000 of Redevelopment Project Area No. 2, 1995 Tax Allocation Bonds and \$2,500,000 of Redevelopment Project Area No. 5 1995 Tax Allocation Bonds for the purpose of financing the Agency's capital projects.

The Project Area No. 2 Bonds carry an interest rate of 6.25%. Interest and principal on the bonds is payable semi-annually on April 1 and October 1 of each year, commencing October 1, 1995 and continuing through April 1, 1999. The Project Area No. 5 Bonds carry various interest rates from 7.25% to 8.20%. Interest is payable annually beginning October 1, 1995. Principal maturities begin on October 1, 1996, and continue through October 1, 2010. The balance at June 30, 2006 was \$1,155,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

	1995 Tax Allocation Bonds, Project Area V	
	Principal	Interest
2006 - 2007	\$ 195,000	\$ 85,658
2007 - 2008	210,000	69,255
2008 - 2009	230,000	51,435
2009 - 2010	250,000	31,995
2010 - 2011	270,000	10,935
Totals	<u>\$ 1,155,000</u>	<u>\$ 249,278</u>

City of Montclair
Notes to Financial Statements (Continued)

Note 6: Long-Term Debt (Continued)

Claims and Judgments

The City is self-insured for general liability and workers' compensation. For more detail, see Note 9. The balance of the long-term portion at June 30, 2006 was \$2,132,947.

Compensated Absences

There is no fixed repayment schedule for compensated absences. For more information, see Note 1.d. The long-term portion of compensated absences at June 30, 2006 was \$2,361,248.

Capitalized Leases

The City has entered into a lease agreement for an Energy Management System. Quarterly payments vary from \$4,479 to \$11,582, including interest at 6.9% ending in 2006. The balance was paid in full as of June 30, 2006.

b. Proprietary Fund Long-Term Debt

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Compensated Absences	\$ 78,377	\$ 7,291	\$ -	\$ 85,668	\$ 3,649

Compensated Absences

There is no fixed repayment schedule for compensated absences. For more information, see Note 1.d. The long-term portion of compensated absences at June 30, 2006 was \$85,668.

c. Residential Mortgage Revenue Bonds

The following issues of Residential Mortgage Revenue Bonds were not reflected in the financial statements because these bonds are special obligations payable solely from, and secured by, specific revenue sources described in the bond resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds:

On October 2, 1979, the Agency issued \$14,855,000 of Residential Mortgage Revenue Bonds, Issue of 1979 for the purpose of providing long-term, low interest mortgage loans to finance residential construction in Redevelopment Project Area No. 2. On December 1, 1990, the Agency issued \$4,400,000 of Taxable Collateralized Mortgage Bonds, Series 1990 for the purpose of advance refunding to maturity the outstanding Residential Mortgage Revenue Bonds, Issue of 1979.

City of Montclair
Notes to Financial Statements (Continued)

Note 6: Long-Term Debt (Continued)

In fiscal year 1982-1983, the Agency entered into a joint exercise of powers agreement with the Redevelopment Agency of the City of Pomona. This agreement created the Montclair-Pomona Housing Finance Agency, a public entity separate from the Redevelopment Agency of Montclair and Pomona, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. During April 1983, the Montclair-Pomona Housing Finance Agency issued \$33,025,000 of Residential Mortgage Revenue Bonds for the purpose of providing long-term, low interest mortgage loans to finance residential construction in redevelopment project areas of the Redevelopment Agency of the Cities of Montclair and Pomona.

d. Mobile Home Park Revenue Bonds

The following issues of Mobile Home Park Revenue Bonds were not reported in the Agency's financial statements since the use and disposition of the bond proceeds is controlled by an outside trustee rather than the Agency, and since neither the faith and credit nor the taxing power of the Agency has been pledged to the payment of the bonds. The Bonds are payable solely by pledged revenues from residential rental income and certain other funds and accounts held by the Trustee, and interest earned thereon:

On July 1, 1999, the Agency approved the issuance of \$3,645,000 in Mobile Home Park Revenue Bonds, Series 1999 to finance the acquisition by Augusta Homes Villa Montclair (the Borrower), of certain real property constituting the Villa Montclair Mobile Home Park. These bonds bear interest of 4.200% to 6.155% per annum and are subject to mandatory and/or optional redemption prior to maturity.

In addition, the Agency issued a loan in the amount of \$350,000 to the Borrower to facilitate the Mobile Home Park acquisition. Repayment of the loan will commence on July 1, 2006, at which time the unpaid principal amount including the accrued interest added thereto will be amortized over a period of 24 years.

On December 15, 2000, the Agency approved the issuance of \$6,100,000 in Mobile Home Park Revenue Bonds, Series 2000 to finance the acquisition by Augusta Homes Villa Montclair (the Borrower), of certain real property constituting the Monterey Manor Mobile Home Estates. These bonds bear interest of 4.6% to 6.5% per annum and are subject to mandatory and/or optional redemption prior to maturity.

In addition, the Agency issued a loan in the amount of \$750,000 to the Borrower to facilitate the Mobile Home Park acquisition. Repayment of the loan will commence on December 20, 2007, at which time the unpaid principal amount, including the accrued interest added thereto, will be amortized over a period of 24 years.

On November 15, 2002, the Agency issued \$10,750,000 of Mobile Home Park Revenue Bonds, Series 2002. The bonds were issued to finance the acquisition and rehabilitation of the Hacienda Mobile Home Park by Augusta Homes. Interest on the bonds is payable semi-annually on May 15 and November 15 commencing on May 15, 2003. Principal maturities on the term bonds are November 15, 2002, November 15, 2029, and November 15, 2037, and carry interest rates of 6.12%, 6.20% and 6.30%, respectively. In addition, the Agency issued a loan in the amount of \$1,000,000 to the Borrower to facilitate the Mobile Home Park acquisition. Repayment of the loan commenced on December 13, 2002.

City of Montclair
Notes to Financial Statements (Continued)

Note 6: Long-Term Debt (Continued)

e. Prior Year Defeasances

On October 15, 1997, the Agency issued \$17,220,000 in Project Area No. 3, Tax Allocation Refunding Bonds to refund \$10,670,000 of outstanding 1987 Tax Allocation Refunding Bonds. Of these proceeds, \$9,249,727 and \$1,962,047 from the 1987 issue was invested in government securities and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1987 bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Agency's financial statement.

On July 1, 2001, the agency issued \$9,350,000 of Redevelopment Project Area No. 5 2001 Tax Allocation Refunding Bonds to refund \$4,435,000 of outstanding 1992 Tax Allocation Bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Agency's financial statements.

Note 7: City Employees Retirement Plan (Defined Benefit Pension Plan)

Miscellaneous Plan

Plan Description

The City of Montclair contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 14.312% for non-safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

**City of Montclair
Notes to Financial Statements (Continued)**

Note 7: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

The summary of principal assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	26 Years as of the Valuation Date for the miscellaneous plans
Asset Valuation Method	15 Year Smoothed Market
Actuarial	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and Type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Schedule of Funding Progress For PERS Miscellaneous Plan
Most Recent Available
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2003	\$ 34,972	\$ 32,345	\$ 2,627	92.5%	\$ 5,947	44.2%
6/30/2004	37,498	34,159	3,339	91.1%	6,168	54.1%
6/30/2005	40,467	36,607	3,860	90.5%	6,156	62.7%

Safety Plan

Plan Description

The City of Montclair contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

City of Montclair
Notes to Financial Statements (Continued)

Note 7: City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

Funding Policy

Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 21.209% for Police safety employees and 22.051% for Fire safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2006, the City's annual pension cost of \$2,629,408 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information For PERS			
(Amounts in Thousands)			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$ 978	100%	\$ -
6/30/2005	1,684	100%	-
6/30/2006	2,629	100%	-

For fiscal year 2005-2006, the City of Montclair participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 8: Other Post-Employment Employee Benefits

The City provides certain post-employment health care benefits. Substantially all of the City's employees may become eligible for those benefits if they retire after 15 years of continuous service to the City under a normal service retirement. Those and similar benefits for active employees are provided through several insurance companies whose premiums are based on the benefits paid during the year. The expenditure is accounted for within the general government funds and is funded on a pay-as-you-go (cash) basis. The total post-employment health insurance expenditures for fiscal year 2005-2006 were \$145,289. There are currently 51 participants receiving benefits.

City of Montclair
Notes to Financial Statements (Continued)

Note 9: Self-Insurance Program

The City has a self-insurance program for workers' compensation liability claims administered by Colen & Lee. The City is self-insured up to \$500,000 for each occurrence. The City is also self-insured for general liability claims up to \$200,000.

Excess liability coverage above the self-insurance amounts is provided through the California Insurance Pool Authority (CIPA). CIPA, a public entity risk pool was established to pool resources, share risks, purchase excess insurance and share costs for professional risk management, and claims administration. Portions of general liability and workers' compensation claims exceeding the above mentioned amounts are covered by CIPA up to a maximum \$2,000,000 per claim and \$20,000,000 annual aggregate for general liability and \$3,000,000 for workers' compensation claims. Member cities make payments to CIPA based on underwriting estimates. Additional coverage for general liability claims is maintained through CIPA from a commercial insurer for claims in excess of per claim and annual aggregate amounts. Complete financial statements for CIPA may be obtained from their offices at the following address: CIPA, 240 Newport Center Drive, Suite 210, Newport Beach, CA 92660.

As of June 30, 2006, Colen & Lee and Carl Warren & Co., indicated a need for potential liability reserves of approximately \$2,207,503 for general liability and workers' compensation claims representing estimates of amounts to be paid for reported claims, based upon past experience, modified for current trends and information. The City has not experienced a significant reduction in insurance coverage from coverage in the prior year. Additionally, the amount of settlements has not exceeded budgeted coverage for each of the past three fiscal years.

At June 30, 2006, this amount has been recorded as a long-term liability, less current liabilities accrued at June 30, 2006, totaling \$2,132,947 in the General Fund. While the ultimate amount of losses incurred through June 30, 2006, are dependent on future developments, based upon information from the City Attorney, outside counsel, service agent and others involved with the administration of the programs, City management believes that the aggregate amount is adequate to cover such losses. Costs relating to the litigation of claims are charged to expenditures as incurred. There are other claims pending for which it is not probable that a loss has been incurred or where the amount cannot be determined.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that has been incurred but not reported. At June 30, 2006, the amount of these liabilities was \$2,207,503. The amount represents an estimate of \$2,028,179 for reported claims through June 30, 2006, and \$179,324 of estimated incurred but not reported claims. This liability is the City's best estimate based on available information.

The following is a summary of the changes in the claims liability over the past two fiscal years:

Year	Beginning of Year Liability	Current Year Claims and Changes In Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2004-2005	\$ 1,146,674	\$ 1,786,004	\$ (585,816)	\$ 2,346,862
2005-2006	2,346,862	577,939	(717,298)	2,207,503

City of Montclair
Notes to Financial Statements (Continued)

Note 10: Joint Ventures

I.R.N.E.T.

The City of Montclair is a member of Inland Regional Narcotics Enforcement Team (I.R.N.E.T.), a joint powers authority of the police departments of 10 cities in San Bernardino and Riverside Counties, and participating county, federal and state law enforcement agencies. The Organization was formed September 18, 1989, with the mission to promote coordinated law enforcement efforts and to address emerging criminal justice issues, mainly in the areas of drug trafficking and money laundering. The executive council consists of police chiefs of the cities and resident agents in charge of the federal and state law enforcement agencies. All financial decisions were made by the executive council. The members received monetary distributions from the asset seizures based on their respective contribution to the effort. The City of Montclair's percentage of participation is 3.57%. Financial information for I.R.N.E.T. is not available.

SBWESTNET

The City of Montclair is a member of San Bernardino County West End Narcotic Enforcement Team (SBWESTNET). SBWESTNET is a narcotics task force comprised of the Chino Police Department, Montclair Police Department and the State Department of Justice (DOJ)/Bureau of Narcotic Enforcement (BNE). The task force falls under the guidelines of DOJ/BNE and is supervised by a DOJ/BNE Special Agent Supervisor.

The mission of SBWESTNET is to ensure public safety by significantly diminishing the availability, use and manufacturing of illegal drugs in the cities of Chino, Montclair, and in the unincorporated west county areas of San Bernardino County, and to apprehend the responsible offenders, thereby increasing public safety.

SBWESTNET was established in August 1997, and allows for local control over task force operations while being able to draw upon resources from the State. SBWESTNET derives its authority from a formal agreement (Memorandum of Understanding) between the Chief Executive Officers of Montclair Police Department, Chino Police Department, and the Bureau of Narcotic Enforcement/Riverside regional office. The CEO's constitute the governing body/Executive Board of SBWESTNET. All financial decisions are made and approved by the task force Executive Board. The annual budget for the fiscal year 2005/06 is \$137,198.

City of Montclair
Notes to Financial Statements (Continued)

Note 11: Fund Equity and Net Assets Restatements

Beginning fund equity has been restated as follows:

Major governmental funds:

General Fund	
Prior year liabilities overstated	\$ 127,486
Montclair Redevelopment Agency - Capital Project	
Prior year expenditures understated	3,355,010
Expenditures incurred in prior years but not recorded	(176,212)
Montclair Redevelopment Agency - Debt Service	
Expenditures incurred in prior years but not recorded	(3,355,010)

Nonmajor governmental funds:

School District Grant - Special Revenue Fund	601
Human Services Grant - Special Revenue Fund	756
California Nutrition Grant - Special Revenue Fund	201
OCJP Grant - Special Revenue Fund	401
Refuse Fee Impound - Special Revenue Fund	392
Subtotal nonmajor governmental funds - Prior year liabilities overstated	<u>2,351</u>

Subtotal Governmental Funds	(46,375)
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Net assets have been restated as follows:

Governmental activities:

Capital assets overstated in prior years	<u>(804,935)</u>
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Total fund equity and net asset restatements	<u><u>\$ (851,310)</u></u>
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Note 12: Subsequent Events

On July 6, 2006, the Agency issued Taxable Tax Allocation Refunding Bonds 2006A in the amount of \$8,235,000 and Tax Allocation Bonds 2006B in the amount of \$3,280,000. The 2006A Bonds were issued for the purpose of refunding a \$2,500,000 parking lease obligation with Costco Wholesale Corporation and the 2006B Bonds were issued for the purpose of providing moneys to finance a Redevelopment Project. The Bonds were issued on a parity basis with the Agency's 2001 Tax Allocation Refunding Bonds currently outstanding in full and are payable from and secured by the Pledged Tax Revenues as to be derived from the Project Area.

The Agency subsequently paid Costco Wholesale Corporation for its accrued parking lease obligation, including accrued interest, on July 6, 2006, in the amount of \$218,058 and paid its remaining future obligation on August 29, 2006, in the amount of \$3,377,099.

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
	Gas Tax	Measure I	Traffic Safety	Park Development
Assets:				
Pooled cash and investments	\$ 2,862,230	\$ 2,446,027	\$ 275,804	\$ 647,523
Receivables:				
Accounts	-	-	-	4,176
Accrued interest	20,569	12,441	-	-
Due from other governments	107,808	37,702	42,125	52,889
Due from other funds	2,566	1,285	6,569	310,408
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	500
Total Assets	\$ 2,993,173	\$ 2,497,455	\$ 324,498	\$ 1,015,496
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 703,262	\$ 167,739	\$ -	\$ 4,810
Accrued liabilities	-	-	-	-
Due to other funds	-	-	319,032	11,876
Deferred revenues	-	-	-	48,117
Advances from other funds	-	-	-	133,858
Deposits payable	-	-	-	500
Due to other governments	206,626	-	2,421	-
Total Liabilities	909,888	167,739	321,453	199,161
Fund Balances:				
Reserved:				
Reserved for encumbrances	2,000	118,248	-	6,273
Unreserved:				
Designated for special revenue	2,081,285	2,211,468	3,045	810,062
Designated for capital projects	-	-	-	-
Undesignated	-	-	-	-
Total Fund Balances	2,083,285	2,329,716	3,045	816,335
Total Liabilities and Fund Balances	\$ 2,993,173	\$ 2,497,455	\$ 324,498	\$ 1,015,496

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

Continued

	Special Revenue Funds			
	Community Development Block Grant	Air Quality Improvement	Older American Act	State Asset Forfeiture
Assets:				
Pooled cash and investments	\$ 108,389	\$ 23,572	\$ -	\$ 2,169
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	52,099	11,111	3,381	735
Due from other funds	-	176	-	7
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 160,488	\$ 34,859	\$ 3,381	\$ 2,911
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,339	\$ 728	\$ 3,572	\$ -
Accrued liabilities	-	-	705	-
Due to other funds	124,052	-	5,469	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	5,889	-	-	-
Total Liabilities	140,280	728	9,746	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	447	-
Unreserved:				
Designated for special revenue	20,208	34,131	-	2,911
Designated for capital projects	-	-	-	-
Undesignated	-	-	(6,812)	-
Total Fund Balances	20,208	34,131	(6,365)	2,911
Total Liabilities and Fund Balances	\$ 160,488	\$ 34,859	\$ 3,381	\$ 2,911

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
	Public Safety	Federal Asset Forfeiture-DOJ	State Asset Forfeiture Section 11489	Federal Asset Forfeiture-Treasury
Assets:				
Pooled cash and investments	\$ 387,401	\$ -	\$ 21,778	\$ 227
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	72,739	-	-	-
Due from other funds	1,134	-	68	1
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 461,274	\$ -	\$ 21,846	\$ 228
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 26,844	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	87,444	3,424	-	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	114,288	3,424	-	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	14,253	-	-	-
Unreserved:				
Designated for special revenue	332,733	-	21,846	228
Designated for capital projects	-	-	-	-
Undesignated	-	(3,424)	-	-
Total Fund Balances	346,986	(3,424)	21,846	228
Total Liabilities and Fund Balances	\$ 461,274	\$ -	\$ 21,846	\$ 228

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

Continued

	Special Revenue Funds			
	School District Grant	State Supplemental Law Enforcement	Local Law Enforcement Block Grant	Crime Prevention PC 1202.5
Assets:				
Pooled cash and investments	\$ -	\$ 105,913	\$ -	\$ 7,280
Receivables:				
Accounts	34,500	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	34
Due from other funds	270	340	-	23
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 34,770	\$ 106,253	\$ -	\$ 7,337
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,299	\$ 4,449	\$ 899	\$ -
Accrued liabilities	971	-	-	-
Due to other funds	22,899	-	2,983	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	34,169	4,449	3,882	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	2,367	-	-
Unreserved:				
Designated for special revenue	601	99,437	-	7,337
Designated for capital projects	-	-	-	-
Undesignated	-	-	(3,882)	-
Total Fund Balances	601	101,804	(3,882)	7,337
Total Liabilities and Fund Balances	\$ 34,770	\$ 106,253	\$ -	\$ 7,337

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
	Recycling Block Grant	Human Services Grant	California Nutrition Grant	E.M.S. Paramedic
Assets:				
Pooled cash and investments	\$ 7,106	\$ 148,863	\$ -	\$ -
Receivables:				
Accounts	-	30,000	-	119,574
Accrued interest	-	-	-	-
Due from other governments	-	141,466	38,089	-
Due from other funds	42	561	-	86,093
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 7,148	\$ 320,890	\$ 38,089	\$ 205,667
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,946	\$ 104,462	\$ 1,259	\$ 17,037
Accrued liabilities	-	2,249	518	1,077
Due to other funds	-	12,764	26,606	77,248
Deferred revenues	-	27,312	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	225	-	-
Due to other governments	-	-	-	-
Total Liabilities	8,946	147,012	28,383	95,362
Fund Balances:				
Reserved:				
Reserved for encumbrances	3,988	23,000	600	600
Unreserved:				
Designated for special revenue	-	150,878	9,106	109,705
Designated for capital projects	-	-	-	-
Undesignated	(5,786)	-	-	-
Total Fund Balances	(1,798)	173,878	9,706	110,305
Total Liabilities and Fund Balances	\$ 7,148	\$ 320,890	\$ 38,089	\$ 205,667

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

Continued

	Special Revenue Funds			
	OCJP Grant	Automated Traffic Enforcement	Office of Traffic Safety Grant	Justice Assistance Grant
Assets:				
Pooled cash and investments	\$ -	\$ -	\$ 2,918	\$ 24,579
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	45,776	-	-
Due from other funds	47	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 47	\$ 45,776	\$ 2,918	\$ 24,579
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 9,072	\$ 57,430	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	5,054	429,019	-	24,579
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	14,126	486,449	-	24,579
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for special revenue	-	-	2,918	-
Designated for capital projects	-	-	-	-
Undesignated	(14,079)	(440,673)	-	-
Total Fund Balances	(14,079)	(440,673)	2,918	-
Total Liabilities and Fund Balances	\$ 47	\$ 45,776	\$ 2,918	\$ 24,579

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
	Equipment Replacement	Infrastructure	Refuse Fee Impound	Montclair Youth Sponsorship
Assets:				
Pooled cash and investments	\$ 1,329,953	\$ 203,168	\$ 175,887	\$ -
Receivables:				
Accounts	-	-	-	-
Accrued interest	486	-	-	-
Due from other governments	-	-	-	-
Due from other funds	8,188	217	11	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	72,116
Total Assets	\$ 1,338,627	\$ 203,385	\$ 175,898	\$ 72,116
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 7,760	\$ -	\$ 15,975	\$ -
Accrued liabilities	-	-	904	-
Due to other funds	-	-	654	-
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	7,760	-	17,533	-
Fund Balances:				
Reserved:				
Reserved for encumbrances	20,049	-	-	-
Unreserved:				
Designated for special revenue	1,310,818	203,385	158,365	72,116
Designated for capital projects	-	-	-	-
Undesignated	-	-	-	-
Total Fund Balances	1,330,867	203,385	158,365	72,116
Total Liabilities and Fund Balances	\$ 1,338,627	\$ 203,385	\$ 175,898	\$ 72,116

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

Continued

	Capital Projects Funds			
	Monte Vista Grade Separation Project	Ramona Grade Separation Project	City Facility Improvement	Police Facility Capital Project
Assets:				
Pooled cash and investments	\$ -	\$ -	\$ 1,091,631	\$ -
Receivables:				
Accounts	2,065	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	888	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 2,065	\$ -	\$ 1,092,519	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 29,562	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	1,332,140	1,100	-	187,126
Deferred revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	1,361,702	1,100	-	187,126
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	7,373	-
Unreserved:				
Designated for special revenue	-	-	-	-
Designated for capital projects	-	-	1,085,146	-
Undesignated	(1,359,637)	(1,100)	-	(187,126)
Total Fund Balances	(1,359,637)	(1,100)	1,092,519	(187,126)
Total Liabilities and Fund Balances	\$ 2,065	\$ -	\$ 1,092,519	\$ -

CITY OF MONTCLAIR

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Total Governmental Funds
Assets:	
Pooled cash and investments	\$ 9,872,418
Receivables:	
Accounts	190,315
Accrued interest	33,496
Due from other governments	605,954
Due from other funds	418,894
Restricted assets:	
Cash and investments with fiscal agents	72,616
Total Assets	\$ 11,193,693
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 1,184,444
Accrued liabilities	6,424
Due to other funds	2,673,469
Deferred revenues	75,429
Advances from other funds	133,858
Deposits payable	725
Due to other governments	214,936
Total Liabilities	4,289,285
Fund Balances:	
Reserved:	
Reserved for encumbrances	199,198
Unreserved:	
Designated for special revenue	7,642,583
Designated for capital projects	1,085,146
Undesignated	(2,022,519)
Total Fund Balances	6,904,408
Total Liabilities and Fund Balances	\$ 11,193,693

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Measure I</u>	<u>Traffic Safety</u>	<u>Park Development</u>
Revenues:				
Taxes	\$ 654,385	\$ -	\$ -	\$ -
Intergovernmental	182,291	572,512	-	133,400
Charges for services	-	-	-	-
Use of money and property	51,751	45,973	-	34,339
Fines and forfeitures	-	-	322,077	-
Miscellaneous	-	-	-	1,025,085
Total Revenues	888,427	618,485	322,077	1,192,824
Expenditures:				
Current:				
General government	691	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	-	-	19,485
Capital outlay	712,323	288,810	-	122,452
Total Expenditures	713,014	288,810	-	141,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	175,413	329,675	322,077	1,050,887
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(6,000)	-	(319,032)	-
Total Other Financing Sources (Uses)	(6,000)	-	(319,032)	-
Net Change in Fund Balances	169,413	329,675	3,045	1,050,887
Fund Balances, Beginning of Year, as originally reported	1,913,872	2,000,041	-	(234,552)
Restatements	-	-	-	-
Fund Balances, Beginning of Year	1,913,872	2,000,041	-	(234,552)
Fund Balances, End of Year	\$2,083,285	\$ 2,329,716	\$ 3,045	\$ 816,335

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Continued

	Special Revenue Funds			
	Community Development Block Grant	Air Quality Improvement	Older American Act	State Asset Forfeiture
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	147,136	93,576	46,525	-
Charges for services	-	-	-	-
Use of money and property	-	214	-	18
Fines and forfeitures	-	-	-	2,541
Miscellaneous	-	-	24,787	-
Total Revenues	147,136	93,790	71,312	2,559
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	7,000	7,312	81,981	-
Public works	66,452	-	-	-
Capital outlay	60,090	88,833	-	799
Total Expenditures	133,542	96,145	81,981	799
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,594	(2,355)	(10,669)	1,760
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	13,594	(2,355)	(10,669)	1,760
Fund Balances, Beginning of Year, as originally reported	6,614	36,486	4,304	1,151
Restatements	-	-	-	-
Fund Balances, Beginning of Year	6,614	36,486	4,304	1,151
Fund Balances, End of Year	\$ 20,208	\$ 34,131	\$ (6,365)	\$ 2,911

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			
	Public Safety	Federal Asset Forfeiture-DOJ	State Asset Forfeiture Section 11489	Federal Asset Forfeiture- Treasury
Revenues:				
Taxes	\$ 282,015	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	2,072	-	177	3
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	284,087	-	177	3
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	102,728	-	-	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	57,162	-	-	-
Total Expenditures	159,890	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	124,197	-	177	3
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	124,197	-	177	3
Fund Balances, Beginning of Year, as originally reported	222,789	(3,424)	21,669	225
Restatements	-	-	-	-
Fund Balances, Beginning of Year	222,789	(3,424)	21,669	225
Fund Balances, End of Year	\$ 346,986	\$ (3,424)	\$ 21,846	\$ 228

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Continued

	Special Revenue Funds			
	School District Grant	State Supplemental Law Enforcement	Local Law Enforcement Block Grant	Crime Prevention PC 1202.5
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	74,000	100,763	2,236	-
Charges for services	-	-	-	-
Use of money and property	-	542	5	59
Fines and forfeitures	-	-	-	174
Miscellaneous	-	-	-	-
Total Revenues	74,000	101,305	2,241	233
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	74,000	36,788	3,321	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	5,012	-	-
Total Expenditures	74,000	41,800	3,321	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	59,505	(1,080)	233
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	59,505	(1,080)	233
Fund Balances, Beginning of Year, as originally reported	-	42,299	(2,802)	7,104
Restatements	601	-	-	-
Fund Balances, Beginning of Year	601	42,299	(2,802)	7,104
Fund Balances, End of Year	\$ 601	\$ 101,804	\$ (3,882)	\$ 7,337

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			
	Recycling Block Grant	Human Services Grant	California Nutrition Grant	E.M.S. Paramedic
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,511	923,734	68,019	-
Charges for services	-	4,650	-	282,976
Use of money and property	134	669	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	500	201	850
Total Revenues	19,645	929,553	68,220	283,826
Expenditures:				
Current:				
General government	29,009	2,189	-	-
Public safety	-	-	-	116,026
Community development	-	845,045	52,912	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	29,009	847,234	52,912	116,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,364)	82,319	15,308	167,800
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(9,364)	82,319	15,308	167,800
Fund Balances, Beginning of Year, as originally reported	7,566	90,803	(5,803)	(57,495)
Restatements	-	756	201	-
Fund Balances, Beginning of Year	7,566	91,559	(5,602)	(57,495)
Fund Balances, End of Year	\$ (1,798)	\$ 173,878	\$ 9,706	\$ 110,305

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Continued

	Special Revenue Funds			
	OCJP Grant	Automated Traffic Enforcement	Office of Traffic Safety Grant	Justice Assistance Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	303,358	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	303,358	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	345,359	-	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	345,359	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(42,001)	-	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(42,001)	-	-
Fund Balances, Beginning of Year, as originally reported	(14,480)	(398,672)	2,918	-
Restatements	401	-	-	-
Fund Balances, Beginning of Year	(14,079)	(398,672)	2,918	-
Fund Balances, End of Year	\$ (14,079)	\$ (440,673)	\$ 2,918	\$ -

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			
	Equipment Replacement	Infrastructure	Refuse Fee Impound	Montclair Youth Sponsorship
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	17,338	184	18,902	5,268
Fines and forfeitures	-	-	-	-
Miscellaneous	18,109	-	-	27,295
Total Revenues	35,447	184	18,902	32,563
Expenditures:				
Current:				
General government	-	-	112,195	-
Public safety	20,000	-	18,247	-
Community development	-	-	-	5,630
Public works	33,322	-	-	-
Capital outlay	315,970	-	-	-
Total Expenditures	369,292	-	130,442	5,630
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,845)	184	(111,540)	26,933
Other Financing Sources (Uses):				
Transfers in	308,000	200,000	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	308,000	200,000	-	-
Net Change in Fund Balances	(25,845)	200,184	(111,540)	26,933
Fund Balances, Beginning of Year, as originally reported	1,356,712	3,201	269,513	45,183
Restatements	-	-	392	-
Fund Balances, Beginning of Year	1,356,712	3,201	269,905	45,183
Fund Balances, End of Year	\$ 1,330,867	\$ 203,385	\$ 158,365	\$ 72,116

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Continued

	Capital Project Funds			
	Monte Vista Grade Separation Project	Ramona Grade Separation Project	City Facility Improvement	Police Facility Capital Project
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	237,635	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	14,379	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	237,635	-	14,379	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	37,560
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	1,097,883	-	-	149,566
Total Expenditures	1,097,883	-	-	187,126
Excess (Deficiency) of Revenues Over (Under) Expenditures	(860,248)	-	14,379	(187,126)
Other Financing Sources (Uses):				
Transfers in	-	-	150,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	150,000	-
Net Change in Fund Balances	(860,248)	-	164,379	(187,126)
Fund Balances, Beginning of Year, as originally reported	(499,389)	(1,100)	928,140	-
Restatements	-	-	-	-
Fund Balances, Beginning of Year	(499,389)	(1,100)	928,140	-
Fund Balances, End of Year	\$ (1,359,637)	\$ (1,100)	\$ 1,092,519	\$ (187,126)

CITY OF MONTCLAIR

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Total Governmental Funds
Revenues:	
Taxes	\$ 936,400
Intergovernmental	2,601,338
Charges for services	287,626
Use of money and property	192,027
Fines and forfeitures	628,150
Miscellaneous	1,096,827
Total Revenues	5,742,368
Expenditures:	
Current:	
General government	144,084
Public safety	754,029
Community development	999,880
Public works	119,259
Capital outlay	2,898,900
Total Expenditures	4,916,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	826,216
Other Financing Sources (Uses):	
Transfers in	658,000
Transfers out	(325,032)
Total Other Financing Sources (Uses)	332,968
Net Change in Fund Balances	1,159,184
Fund Balances, Beginning of Year, as originally reported	5,742,873
Restatements	2,351
Fund Balances, Beginning of Year	5,745,224
Fund Balances, End of Year	\$ 6,904,408

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,913,872	\$ 1,913,872	\$ 1,913,872	\$ -
Resources (Inflows):				
Taxes	631,000	631,000	654,385	23,385
Intergovernmental	-	-	182,291	182,291
Use of money and property	20,000	20,000	51,751	31,751
Amounts Available for Appropriation	2,564,872	2,564,872	2,802,299	237,427
Charges to Appropriation (Outflow):				
General government	1,300	1,300	691	609
Public works	-	2,069,518	-	2,069,518
Capital outlay	-	-	712,323	(712,323)
Transfers to other funds	-	6,000	6,000	-
Total Charges to Appropriations	1,300	2,076,818	719,014	1,357,804
Budgetary Fund Balance, June 30	\$ 2,563,572	\$ 488,054	\$ 2,083,285	\$ 1,595,231

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
MEASURE I
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,000,041	\$ 2,000,041	\$ 2,000,041	\$ -
Resources (Inflows):				
Intergovernmental	456,000	456,000	572,512	116,512
Use of money and property	10,000	10,000	45,973	35,973
Amounts Available for Appropriation	2,466,041	2,466,041	2,618,526	152,485
Charges to Appropriation (Outflow):				
Public works	-	2,081,411	-	2,081,411
Capital outlay	-	-	288,810	(288,810)
Total Charges to Appropriations	-	2,081,411	288,810	1,792,601
Budgetary Fund Balance, June 30	\$ 2,466,041	\$ 384,630	\$ 2,329,716	\$ 1,945,086

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Fines and forfeitures	375,000	375,000	322,077	(52,923)
Amounts Available for Appropriation	375,000	375,000	322,077	(52,923)
Charges to Appropriation (Outflow):				
Transfers to other funds	-	375,000	319,032	55,968
Total Charges to Appropriations	-	375,000	319,032	55,968
Budgetary Fund Balance, June 30	\$ 375,000	\$ -	\$ 3,045	\$ 3,045

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (234,552)	\$ (234,552)	\$ (234,552)	\$ -
Resources (Inflows):				
Intergovernmental	-	635,500	133,400	(502,100)
Use of money and property	28,500	28,500	34,339	5,839
Other	425,000	425,000	1,025,085	600,085
Amounts Available for Appropriation	218,948	854,448	958,272	103,824
Charges to Appropriation (Outflow):				
Public works	8,400	540,400	19,485	520,915
Capital outlay	-	-	122,452	(122,452)
Total Charges to Appropriations	8,400	540,400	141,937	398,463
Budgetary Fund Balance, June 30	\$ 210,548	\$ 314,048	\$ 816,335	\$ 502,287

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,614	\$ 6,614	\$ 6,614	\$ -
Resources (Inflows):				
Intergovernmental	37,000	37,000	147,136	110,136
Amounts Available for Appropriation	43,614	43,614	153,750	110,136
Charges to Appropriation (Outflow):				
Community development	7,000	7,000	7,000	-
Public works	30,000	66,706	66,452	254
Capital outlay	-	-	60,090	(60,090)
Total Charges to Appropriations	37,000	73,706	133,542	(59,836)
Budgetary Fund Balance, June 30	\$ 6,614	\$ (30,092)	\$ 20,208	\$ 50,300

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 36,486	\$ 36,486	\$ 36,486	\$ -
Resources (Inflows):				
Intergovernmental	40,000	108,000	93,576	(14,424)
Use of money and property	700	700	214	(486)
Amounts Available for Appropriation	77,186	145,186	130,276	(14,910)
Charges to Appropriation (Outflow):				
Community development	2,798	6,798	7,312	(514)
Capital outlay	37,000	110,000	88,833	21,167
Total Charges to Appropriations	39,798	116,798	96,145	20,653
Budgetary Fund Balance, June 30	\$ 37,388	\$ 28,388	\$ 34,131	\$ 5,743

CITY OF MONTCLAIR

BUDGETARY COMPARISON SCHEDULE
 OLDER AMERICAN ACT
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,304	\$ 4,304	\$ 4,304	\$ -
Resources (Inflows):				
Intergovernmental	49,408	50,028	46,525	(3,503)
Other	40,574	40,574	24,787	(15,787)
Amounts Available for Appropriation	94,286	94,906	75,616	(19,290)
Charges to Appropriation (Outflow):				
Community development	98,035	100,338	81,981	18,357
Total Charges to Appropriations	98,035	100,338	81,981	18,357
Budgetary Fund Balance, June 30	\$ (3,749)	\$ (5,432)	\$ (6,365)	\$ (933)

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
STATE ASSET FORFEITURE
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,151	\$ 1,151	\$ 1,151	\$ -
Resources (Inflows):				
Use of money and property	100	100	18	(82)
Fines and forfeitures	-	-	2,541	2,541
Amounts Available for Appropriation	1,251	1,251	3,710	2,459
Charges to Appropriation (Outflow):				
Capital outlay	-	-	799	(799)
Total Charges to Appropriations	-	-	799	(799)
Budgetary Fund Balance, June 30	\$ 1,251	\$ 1,251	\$ 2,911	\$ 1,660

CITY OF MONTCLAIR

BUDGETARY COMPARISON SCHEDULE
 PUBLIC SAFETY
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 222,789	\$ 222,789	\$ 222,789	\$ -
Resources (Inflows):				
Taxes	235,000	235,000	282,015	47,015
Use of money and property	2,000	2,000	2,072	72
Amounts Available for Appropriation	459,789	459,789	506,876	47,087
Charges to Appropriation (Outflow):				
Public safety	112,261	120,361	102,728	17,633
Capital outlay	57,400	86,318	57,162	29,156
Total Charges to Appropriations	169,661	206,679	159,890	46,789
Budgetary Fund Balance, June 30	\$ 290,128	\$ 253,110	\$ 346,986	\$ 93,876

CITY OF MONTCLAIR

BUDGET COMPARISON SCHEDULE
 FEDERAL ASSET FORFEITURE-DOJ
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (3,424)	\$ (3,424)	\$ (3,424)	\$ -
Charges to Appropriation (Outflow):				
General government	1,000	1,000	-	1,000
Total Charges to Appropriations	1,000	1,000	-	1,000
Budgetary Fund Balance, June 30	\$ (4,424)	\$ (4,424)	\$ (3,424)	\$ 1,000

CITY OF MONTCLAIR

BUDGETARY COMPARISON SCHEDULE
 STATE ASSET FORFEITURE SECTION 11489
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 21,669	\$ 21,669	\$ 21,669	\$ -
Resources (Inflows):				
Use of money and property	100	100	177	77
Amounts Available for Appropriation	21,769	21,769	21,846	77
Budgetary Fund Balance, June 30	\$ 21,769	\$ 21,769	\$ 21,846	\$ 77

CITY OF MONTCLAIR

BUDGETARY COMPARISON SCHEDULE
 SCHOOL DISTRICT GRANT
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 601	\$ 601	\$ 601	\$ -
Resources (Inflows):				
Intergovernmental	64,000	74,000	74,000	-
Amounts Available for Appropriation	64,601	74,601	74,601	-
Charges to Appropriation (Outflow):				
Public safety	64,000	74,000	74,000	-
Total Charges to Appropriations	64,000	74,000	74,000	-
Budgetary Fund Balance, June 30	\$ 601	\$ 601	\$ 601	\$ -

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
STATE SUPPLEMENTAL LOCAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 42,299	\$ 42,299	\$ 42,299	\$ -
Resources (Inflows):				
Intergovernmental	-	100,763	100,763	-
Use of money and property	-	-	542	542
Amounts Available for Appropriation	42,299	143,062	143,604	542
Charges to Appropriation (Outflow):				
Public safety	-	103,055	36,788	66,267
Capital outlay	-	32,776	5,012	27,764
Total Charges to Appropriations	-	135,831	41,800	94,031
Budgetary Fund Balance, June 30	\$ 42,299	\$ 7,231	\$ 101,804	\$ 94,573

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (2,802)	\$ (2,802)	\$ (2,802)	\$ -
Resources (Inflows):				
Intergovernmental	-	-	2,236	2,236
Investment income	-	-	5	5
Amounts Available for Appropriation	(2,802)	(2,802)	(561)	2,241
Charges to Appropriation (Outflow):				
Public safety	-	4,301	3,321	980
Total Charges to Appropriations	-	4,301	3,321	980
Budgetary Fund Balance, June 30	\$ (2,802)	\$ (7,103)	\$ (3,882)	\$ 3,221

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
CRIME PREVENTION PC 1202.5
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,104	\$ 7,104	\$ 7,104	\$ -
Resources (Inflows):				
Investment income	30	30	59	29
Use of money and property	400	400	174	(226)
Amounts Available for Appropriation	7,534	7,534	7,337	(197)
Budgetary Fund Balance, June 30	\$ 7,534	\$ 7,534	\$ 7,337	\$ (197)

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
 RECYCLING BLOCK GRANT
 YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,566	\$ 7,566	\$ 7,566	\$ -
Resources (Inflows):				
Intergovernmental	22,255	22,255	19,511	(2,744)
Investment income	-	-	134	134
Amounts Available for Appropriation	29,821	29,821	27,211	(2,610)
Charges to Appropriation (Outflow):				
General government	22,255	41,818	29,009	12,809
Total Charges to Appropriations	22,255	41,818	29,009	12,809
Budgetary Fund Balance, June 30	\$ 7,566	\$ (11,997)	\$ (1,798)	\$ 10,199

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES GRANT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 91,559	\$ 91,559	\$ 91,559	\$ -
Resources (Inflows):				
Intergovernmental	734,941	984,229	923,734	(60,495)
Charges for services	-	-	4,650	4,650
Investment income	200	200	669	469
Other	1,000	1,000	500	(500)
Amounts Available for Appropriation	827,700	1,076,988	1,021,112	(55,876)
Charges to Appropriation (Outflow):				
General government	-	6,076	2,189	3,887
Public services	735,666	1,007,185	845,045	162,140
Public works	-	270	-	270
Total Charges to Appropriations	735,666	1,013,531	847,234	166,297
Budgetary Fund Balance, June 30	\$ 92,034	\$ 63,457	\$ 173,878	\$ 110,421

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
CALIFORNIA NUTRITION GRANT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (5,602)	\$ (5,602)	\$ (5,602)	\$ -
Resources (Inflows):				
Intergovernmental	84,017	84,017	68,019	(15,998)
Other	-	-	201	201
Amounts Available for Appropriation	78,415	78,415	62,618	(15,797)
Charges to Appropriation (Outflow):				
Public services	84,017	84,706	52,912	31,794
Total Charges to Appropriations	84,017	84,706	52,912	31,794
Budgetary Fund Balance, June 30	\$ (5,602)	\$ (6,291)	\$ 9,706	\$ 15,997

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
E.M.S. PARAMEDIC
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (57,495)	\$ (57,495)	\$ (57,495)	\$ -
Resources (Inflows):				
Charges for services	181,250	181,250	282,976	101,726
Investment income	400	400	-	(400)
Other	1,000	1,000	850	(150)
Amounts Available for Appropriation	125,155	125,155	226,331	101,176
Charges to Appropriation (Outflow):				
Public safety	157,315	157,315	116,026	41,289
Total Charges to Appropriations	157,315	157,315	116,026	41,289
Budgetary Fund Balance, June 30	\$ (32,160)	\$ (32,160)	\$ 110,305	\$ 142,465

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
 AUTOMATED TRAFFIC ENFORCEMENT
 YEAR ENDED JUNE 30, 2006**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (398,672)	\$ (398,672)	\$ (398,672)	\$ -
Resources (Inflows):				
Use of money and property	175,000	175,000	303,358	128,358
Amounts Available for Appropriation	<u>(223,672)</u>	<u>(223,672)</u>	<u>(95,314)</u>	<u>128,358</u>
Charges to Appropriation (Outflow):				
Public safety	-	-	345,359	(345,359)
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>345,359</u>	<u>(345,359)</u>
Budgetary Fund Balance, June 30	<u>\$ (223,672)</u>	<u>\$ (223,672)</u>	<u>\$ (440,673)</u>	<u>\$ (217,001)</u>

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
EQUIPMENT REPLACEMENT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,356,712	\$ 1,356,712	\$ 1,356,712	\$ -
Resources (inflows):				
Invest Income	25,000	25,000	17,338	(7,662)
Other	20,000	36,760	18,109	(18,651)
Transfers from other funds	-	308,000	308,000	-
Amounts Available for Appropriation	1,401,712	1,726,472	1,700,159	(26,313)
Charges to Appropriation (outflow):				
Public safety	-	20,000	20,000	-
Parks and Recreation	-	33,322	33,322	-
Public works	289,300	336,550	315,970	20,580
Total Charges to Appropriations	289,300	389,872	369,292	20,580
Budgetary Fund Balance, June 30	\$ 1,112,412	\$ 1,336,600	\$ 1,330,867	\$ (5,733)

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
INFRASTRUCTURE
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,201	\$ 3,201	\$ 3,201	\$ -
Resources (inflows):				
Invest income	-	-	184	184
Transfers from other funds	-	200,000	200,000	-
Amounts Available for Appropriation	3,201	203,201	203,385	184
Charges to Appropriation (outflow):				
Parks and recreation	-	559,653	-	559,653
Total Charges to Appropriations	-	559,653	-	559,653
Budgetary Fund Balance, June 30	\$ 3,201	\$ (356,452)	\$ 203,385	\$ 559,837

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
REFUSE FEE IMPOUND
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 269,905	\$ 269,905	\$ 269,905	\$ -
Resources (inflows):				
Invest Income	11,000	11,000	18,902	7,902
Amounts Available for Appropriation	280,905	280,905	288,807	7,902
Charges to Appropriation (outflow):				
General government	125,688	125,688	112,195	13,493
Public safety	16,500	16,500	18,247	(1,747)
Total Charges to Appropriations	142,188	142,188	130,442	11,746
Budgetary Fund Balance, June 30	\$ 138,717	\$ 138,717	\$ 158,365	\$ 19,648

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
MONTCLAIR YOUTH SPONSORSHIP
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 45,183	\$ 45,183	\$ 45,183	\$ -
Resources (inflows):				
Invest income	2,000	2,000	5,268	3,268
Other	6,000	6,000	27,295	21,295
Amounts Available for Appropriation	53,183	53,183	77,746	24,563
Charges to Appropriation (outflow):				
Public services	-	-	5,630	(5,630)
Total Charges to Appropriations	-	-	5,630	(5,630)
Budgetary Fund Balance, June 30	\$ 53,183	\$ 53,183	\$ 72,116	\$ 18,933

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
MONTE VISTA GRADE SEPARATION PROJECT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (499,389)	\$ (499,389)	\$ (499,389)	\$ -
Resources (Inflows):				
Intergovernmental	-	780,000	237,635	(542,365)
Amounts Available for Appropriation	(499,389)	280,611	(261,754)	(542,365)
Charges to Appropriation (Outflow):				
Public works	-	20,584,618	-	20,584,618
Capital outlay	-	-	1,097,883	(1,097,883)
Total Charges to Appropriations	-	20,584,618	1,097,883	19,486,735
Budgetary Fund Balance, June 30	\$ (499,389)	\$ (20,304,007)	\$ (1,359,637)	\$ 18,944,370

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
CITY FACILITY IMPROVEMENT
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 928,140	\$ 928,140	\$ 928,140	\$ -
Resources (Inflows):				
Use of money and property	24,000	24,000	14,379	(9,621)
Transfers from other funds	-	150,000	150,000	-
Amounts Available for Appropriation	952,140	1,102,140	1,092,519	(9,621)
Charges to Appropriation (Outflow):				
Public safety	-	203,485	-	203,485
Public works	-	38,000	-	38,000
Total Charges to Appropriations	-	241,485	-	241,485
Budgetary Fund Balance, June 30	\$ 952,140	\$ 860,655	\$ 1,092,519	\$ 231,864

CITY OF MONTCLAIR

BUDGETARY COMPARISON SCHEDULE
 POLICE FACILITY CAPITAL PROJECT
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Charges to Appropriation (Outflow):				
Public safety	-	23,300,000	37,560	23,262,440
Capital Outlay	-	-	149,566	(149,566)
Total Charges to Appropriations	<u>-</u>	<u>23,300,000</u>	<u>187,126</u>	<u>23,112,874</u>
Budgetary Fund Balance, June 30	<u>\$ -</u>	<u>\$(23,300,000)</u>	<u>\$ (187,126)</u>	<u>\$ 23,112,874</u>

CITY OF MONTCLAIR

BUDGETARY COMPARISON SCHEDULE
 MONTCLAIR REDEVELOPMENT AGENCY
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,453,269	\$ 24,453,269	\$ 24,453,269	\$ -
Resources (Inflows):				
Taxes	1,489,500	1,489,500	1,944,429	454,929
Intergovernmental	35,000	35,000	23,661	(11,339)
Use of money and property	633,336	633,336	986,271	352,935
Other	10,000	10,000	525,016	515,016
Transfers from other funds	-	-	1,475,305	1,475,305
Amounts Available for Appropriation	26,621,105	26,621,105	29,407,951	2,786,846
Charges to Appropriation (Outflow):				
General government	4,161,087	4,161,084	2,413,633	1,747,451
Community development	15,445,652	15,445,652	350,716	15,094,936
Capital outlay	-	-	1,320,563	(1,320,563)
Total Charges to Appropriations	19,606,739	19,606,736	4,084,912	15,521,824
Budgetary Fund Balance, June 30	\$ 7,014,366	\$ 7,014,369	\$ 25,323,039	\$ 18,308,670

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
2005 LEASE REVENUE BONDS
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 30,462,434	\$ 30,462,434	\$ 30,462,434	\$ -
Resources (Inflows):				
Use of money and property	300,000	300,000	769,704	469,704
Transfers from other funds	-	1,156,232	1,115,067	(41,165)
Amounts Available for Appropriation	30,762,434	31,918,666	32,347,205	428,539
Charges to Appropriation (Outflow):				
Public safety	-	1,156,232	-	1,156,232
Debt service:				
Interest and fiscal charges	-	-	1,174,024	(1,174,024)
Total Charges to Appropriations	-	1,156,232	1,174,024	(17,792)
Budgetary Fund Balance, June 30	\$ 30,762,434	\$ 30,762,434	\$ 31,173,181	\$ 410,747

CITY OF MONTCLAIR

**BUDGETARY COMPARISON SCHEDULE
MONTCLAIR REDEVELOPMENT AGENCY
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,668,863	\$ 9,668,863	\$ 9,668,863	\$ -
Resources (Inflows):				
Taxes	4,797,928	4,797,928	6,300,968	1,503,040
Use of money and property	122,300	122,300	406,258	283,958
Other	-	-	228,906	228,906
Transfers from other funds	2,513,600	2,513,600	-	(2,513,600)
Amounts Available for Appropriation	17,102,691	17,102,691	16,604,995	(497,696)
Charges to Appropriations (Outflow):				
General government	687,687	697,687	696,506	1,181
Community development	246,700	246,700	285,391	(38,691)
Debt service:				
Principal	1,707,363	1,707,363	770,000	937,363
Interest and fiscal charges	2,184,389	2,184,409	2,338,965	(154,556)
Transfers to other funds	2,513,600	2,513,600	1,475,305	1,038,295
Total Charges to Appropriations	7,339,739	7,349,759	5,566,167	1,783,592
Budgetary Fund Balance, June 30	\$ 9,762,952	\$ 9,752,932	\$ 11,038,828	\$ 1,285,896

CITY OF MONTCLAIR

COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUND
 JUNE 30, 2006

	<u>Sewer Maintenance Fund</u>
Assets:	
Current:	
Cash and investments	\$ 2,207,961
Receivables:	
Accounts	306,640
Accrued interest	14,484
Due from other funds	2,952
Due from other governments	<u>750</u>
Total Current Assets	<u>2,532,787</u>
Noncurrent:	
Capital assets - net of accumulated depreciation	<u>2,633,329</u>
Total Noncurrent Assets	<u>2,633,329</u>
Total Assets	<u>\$ 5,166,116</u>
 Liabilities and Net Assets:	
Liabilities:	
Current:	
Accounts payable	\$ 80,510
Accrued payroll payable	10,559
Due to other governments	261,819
Due to other funds	<u>99,120</u>
Total Current Liabilities	<u>452,008</u>
Noncurrent:	
Compensated absences	<u>85,668</u>
Total Noncurrent Liabilities	<u>85,668</u>
Total Liabilities	<u>537,676</u>
Net Assets:	
Invested in capital assets, net of related debt	2,633,329
Unrestricted	<u>1,995,111</u>
Total Net Assets	<u>4,628,440</u>
Total Liabilities and Net Assets	<u>\$ 5,166,116</u>

CITY OF MONTCLAIR

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006**

	Sewer Maintenance Fund
Operating Revenues:	
Sales and Service Charges	\$ 1,507,991
Miscellaneous	4,000
	<hr/>
Total Operating Revenues	1,511,991
	<hr/>
Operating Expenses:	
Salaries and benefits	526,783
Supplies and services	168,408
Treatment	1,242,121
Depreciation	70,540
	<hr/>
Total Operating Expenses	2,007,852
	<hr/>
Operating Income (Loss)	(495,861)
	<hr/>
Nonoperating Revenues (Expenses):	
Interest Revenue	51,786
	<hr/>
Total Nonoperating Revenues (Expenses)	51,786
	<hr/>
Changes in Net Assets	(444,075)
	<hr/>
Net Assets	
Beginning of Fiscal Year	5,072,515
	<hr/>
End of Fiscal Year	\$ 4,628,440
	<hr/>

CITY OF MONTCLAIR

STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2006

	<u>Sewer Maintenance Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 1,498,846
Cash paid to suppliers for good and services	(1,441,947)
Cash paid to employees for services	(522,869)
	<u>(465,970)</u>
Net Cash Provided (Used) by Operating Activities	(465,970)
Cash Flows From Noncapital Financing Activities:	
Financing Activities:	
Due from other funds	(1,724)
Due to other funds	56,763
	<u>55,039</u>
Net Cash Provided (Used) by Noncapital Financing Activities	55,039
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(15,673)
	<u>(15,673)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,673)
Cash Flows From Investing Activities:	
Interest received	49,190
	<u>49,190</u>
Net Cash Provided (Used) by Investing Activities	49,190
Net Increase (Decrease) in Cash and Cash Equivalents	(377,414)
Cash and Cash Equivalents at Beginning of Year	2,585,375
Cash and Cash Equivalents at End of Year	\$ 2,207,961
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (495,861)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	70,540
(Increase) decrease in accounts receivable	(13,026)
(Increase) decrease in due from other governments	(119)
Increase (decrease) in accounts payable	16,957
Increase (decrease) in accrued liabilities	(3,377)
Increase (decrease) in due to other governments	(48,375)
Increase (decrease) in compensated absences	7,291
	<u>29,891</u>
Total Adjustments	29,891
Net Cash Provided (Used) by Operating Activities	\$ (465,970)

Schedule of Non-Cash Transactions

There were no non-cash transactions during the year.

CITY OF MONTCLAIR

COMBINING BALANCE SHEET

AGENCY FUND

JUNE 30, 2006

	<u>Agency Fund</u>
	<u>Sewer Plant</u>
Assets:	
Cash and investments	<u>\$ 746,006</u>
Total Assets	<u><u>\$ 746,006</u></u>
Liabilities:	
Due to other governments	<u>\$ 746,006</u>
Total Liabilities	<u><u>\$ 746,006</u></u>

CITY OF MONTCLAIR

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<u>Sewer Plant</u>				
Assets:				
Cash and investments	\$ 932,053	\$ 902,430	\$ 1,088,477	\$ 746,006
Total Assets	<u>\$ 932,053</u>	<u>\$ 902,430</u>	<u>\$ 1,088,477</u>	<u>\$ 746,006</u>
Liabilities:				
Accounts payable	\$ 520	\$ -	\$ 520	\$ -
Due to other governments	931,533	902,430	1,087,957	746,006
Total Liabilities	<u>\$ 932,053</u>	<u>\$ 902,430</u>	<u>\$ 1,088,477</u>	<u>\$ 746,006</u>