CITY OF PICO RIVERA

CALIFORNIA

Comprehensive Annual Financial Report

RIO HONDO PARK COMMUNITY CENTER

8421 SAN LUIS POTOSI PLACE, PICO RIVERA, CALIFORNIA 90660-1016

Fiscal Year Ended June 30, 2006

CITY OF PICO RIVERA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared By

Department of Finance

INTRODUCTORY SECTION

CITY OF PICO RIVERA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY MANAGER

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MAYOR

RONALD BEILKE
MAYOR PRO TEM

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February 7, 2007

Honorable Mayor and City Council
City of Pico Rivera, California

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Pico Rivera for the fiscal year ended June 30, 2006.

The CAFR is intended to provide the City Council, the City's residents, customers, public, and interested parties with a broad financial outlook of the City. The guidelines set forth by the Government Accounting Standards Board (GASB) were followed in the preparation of this report, which is designed to assess the City's financial condition and inform the public of the City's services. This transmittal letter is designed to complement the Management Discussion and Analysis section (MD&A), and therefore, should be read with it. The City's MD&A can be found immediately following the independent auditors' report.

Diehl, Evans & Company, LLP, Certified Public Accountants & Consultants has issued an unqualified opinion on the City of Pico Rivera's financial statements for the fiscal year ended June 30, 2006. The independent auditor's report is located at the beginning of the financial section of this report.

Reporting Entity

The Comprehensive Annual Financial Report presents the financial status of the City and its component units. Although each component unit is a separate legal entity from the City, their respective financial operations are closely related thereto. This combined presentation better represents the financial activities of the City of Pico Rivera.

The following component units are reported on a blended basis as part of the primary government because their boards are comprised of all City Council members or they are, in substance, part of the City's operations:

City of Pico Rivera Redevelopment Agency (RDA)
Pico Rivera Housing Assistance Agency (PRHA)
Pico Rivera Public Financing Authority (PFA)
Pico Rivera Water Authority

Pico Rivera is a general law city and operates under a Council-Manager form of government. The City provides a full range of municipal services including public works, water, storm drainage, construction and maintenance of roads and highways, planning and zoning, recreation and cultural activities, and general administrative support. Police, fire, sewer and library services are provided by Los Angeles County. The services provided by PRHA include low and moderate income housing assistance.

Local ordinances and state law require that the City issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the City and its component units.

Economic Condition and Outlook

The City of Pico Rivera while optimistic, continues to face financial challenges. The year was started with higher cash reserves than previous years; yet costs of operations continued to increase. On the positive side, the City has continued to experience growth in its sales and property tax base resulting in increased revenues.

In 2006 the City received additional one time monies that increased the cash reserves to greater acceptable levels. The State relinquished Whittier Boulevard to the City for $2.8 million. Telecu remitted $146,000 of profit from the sales of the 5 homes on Orange Avenue. Additional one time monies are expected in December 2006.

The City, in an effort to cut costs, took some drastic actions. We eliminated six management level positions and did not fill seven

vacancies for a savings of $1.4 million. We also implemented a cost study which resulted in some increased fees while reducing others thereby allowing a truer recovery of costs, paid for by the user of the services, not taxpayers. This implementation resulted in an increase in revenues of approximately $400,000. We also scaled back on our capital improvement projects to focus on completion of those with full funding.

As 2007 begins, the City continues to work "smarter" to deal with the ongoing financial issues. We continue to search out and apply for both federal and state grants as well as renew existing grants. The City continues its efforts to boost revenues and reduce expenditures.

A number of businesses are in the process of remodeling/expanding such as Wal-Mart, Starbuck's, Panda Express, McDonalds and Baby Phat to name a few. The Howard Johnson's Hotel is expected to be completed by June of 2007. All of this expansion will help our projected increase in sales tax and property taxes. The City has developed a new program "Shop Pico Rivera". Shop Pico Rivera is designed to educate residents about the importance of sales tax revenues and to help promote local businesses.

Unemployment has dropped by .6% to 4.1%, the lowest it has been in many years.

Capital Improvement Projects are still being closely monitored. No new projects were approved in the 2006-2007 budget. The one project that is expected to begin in the new fiscal year is the Passons Grade Separation. It is expected to begin the relocation phase in early 2007. This project is funded through State and Federal funds. It will improve safety for both the railroad and our residents.

City Accomplishments and Initiatives

The year 2005-2006 was a busy one for Pico Rivera marked with public safety enhancements and improvements, business and economic development, and a host of new City programs and services benefiting the entire community.

The year also saw the beginning of long-anticipated redevelopment projects, the start of a new bridge and the completion of street and landscaping beautification programs.

Crime rates continued to fall as additional law enforcement personnel hit the streets and computers took up the fight against graffiti. Residents welcomed back several popular special events and rallied behind community awareness programs promoting pedestrian safety and the local economy.

City teens celebrated the opening of a home of their own while throughout the year Pico Rivera youth showcased their athletic and academic skills around the country bringing pride and recognition to the city.

Many of the achievements were highlighted in video programs featured on CTV3, the City's cable television channel, which also began live broadcasts of City Council meetings during the year.

Once again, the City's award-winning newsletter, the Profile, kept residents up-to-date with events and activities that happened around the community. With the start of another year already here, we take a look back at the events that shaped the city's future during 2006…

- The City's new Public Safety Division went into effect. Formed as part of the City Hall Reorganization, the new Division was designed to centralize and enhance existing public safety programs, including gang and graffiti suppression, emergency services, parking enforcement, crossing guards, public health, and traffic and railroad safety. The Division was also tasked with developing new programs aimed at improving public safety and reducing crime.

- New public safety enhancements improve services provided by the Pico Rivera Sheriff's Station and strengthen the City's crime-fighting capabilities. The enhancements include new Community Service Assistants, a Nuisance Abatement Deputy and a dedicated two-person patrol car. The enhancements even include new patrol car decals that proudly feature the city's name and official seal.

- The Pico Rivera Sheriff's Station reported a 31% drop in the number of residential burglaries through the first eight months of 2005. The Station also reported the number of commercial burglaries had dropped by 19% and the overall city-wide crime rate was down by 6%.

- Community spirit was raised and strengthened during the City's 11th annual National Night Out event, which united hundreds of residents at City Hall to speak out about crime and drugs in their neighborhoods.

- In partnership with other agencies, the Pico Rivera Sheriff's Station established specialized units to target auto theft, resulting in the arrest and prosecution of numerous individuals as well as large-scale criminal rings that steal cars for a living.

- The City's increased efforts to support law enforcement and promote crime prevention received a further boost with a $48,858 grant from the U.S. Department of Justice. The grant enabled the Pico Rivera Sheriff's Station to enhance its Safety Through Our Perseverance (S.T.O.P.) program by helping fund a specially trained deputy to provide intervention and resource referral services to individuals and families in crisis.

- The City Council voted to continue funding for the special School Resource Deputy. The deputy is hired for a 12-month term under the City's contract with the LA County Sheriff's Department and is funded primarily with state C.O.P.S. funds. During the 2004-05 school year, the deputy issued 210 truancy citations, made 98 arrests and issued 417 citations for other misdemeanors, including vandalism.

- The City installed new lighted pedestrian crosswalks around the community. The crosswalks feature LED flashing lights embedded in the roadway and can be seen by motorists as far away as 1500 feet. Installation of the four crosswalks was made possible by a grant from CalTrans under the Safe Routes to Schools program.

- The $43 million Passons/Serapis grade separation project moved another step closer when Congresswoman Grace Napolitano secured $2.96 million in funds as part of the $286 billion federal transportation bill. Congresswoman Napolitano was also able to successfully secure an additional $80,000 for the Rosemead Boulevard/Highway 19 Renovation project as part of the same bill.

- Work began on the second phase of an ambitious, long term project to transform the barren Rio Hondo and San Gabriel River Spreading Grounds into lush recreational areas for public use. When completed, phase two of the Paseo Del Rio Project will feature new walking trails, bike paths, rest areas, landscaping and interpretive signage. The $2 million project, administered by the Los Angeles County Flood Control District, is funded by grants from the State Resources Agency and the Rivers & Mountains Conservancy. The City will maintain the recreational areas once the project is completed.

- Community spirit went up around the Montebello Gardens area with the opening of the new Rio Hondo Park Community Center. The $900,000 Center was funded almost entirely with federal and state grants and features a multipurpose room, state-of-the-art dance studio, kitchen, reception area and offices. Center programs include fitness, dance, sports and specialty classes.

- The City's Parks and Recreation Department began offering two new adaptive recreation and fitness programs for children and adults with disabilities.

- The City of Pico Rivera joined a growing number of employers offering adults with developmental disabilities the opportunity to join the mainstream workforce. The City partnered with ARC Mid-Cities in a unique program to create a team of nine developmentally disabled persons to work with the City on park maintenance. The team includes several Pico Rivera residents and supplements the efforts of City park maintenance staff by implementing a new trash abatement program.

- Construction began on a new, six-lane bridge spanning the Rio Hondo Channel at Beverly Boulevard. The 552-foot long concrete and steel bridge will replace the wooden span originally built as a temporary structure in the 1950's. The Pico Rivera span was destroyed by fire on November 1, 2005, severing a vital arterial link between Pico Rivera and Montebello. Traffic flow was restored three months later with the opening of a temporary, two-lane bridge but a weight limit imposed on the remaining wooden span has continued to disrupt heavy commercial vehicles, fire trucks and buses.

- A report released by the Los Angeles County Assessor's Office revealed that Pico Rivera property values continue to soar ahead of those in neighboring communities. The report showed our property values had risen 12.7% during the previous fiscal year, placing Pico Rivera the sixth highest in percentage increases among all Los Angeles County cities. Real estate company, Anderson & Kemp, also reported that, as of March 2005, the median Pico Rivera home price hit $391,250, up a massive 35.5% from the March 2004 figure of $288,750.

- The city celebrates the opening of its latest restaurant, Chili's. The restaurant, situated in the Pico Rivera Towne Center, opened to record crowds just in time for the holiday rush.

- Pico Rivera's latest full-service supermarket, Big Saver Market, opened at Washington and Passons.

- City Councilmembers and staff gathered with local business leaders at City Hall for the inaugural Mayor's Invitational Business Open House. Hosted by the Mayor's office, the event provided business owners with the opportunity to met with elected officials and learn about the comprehensive range of free City services available to local businesses.

- The City accepted a check for $146,000 from TELACU Development as part of a revenue sharing program associated with the Grove Villas housing development.

- The City again rewarded three El Rancho High School seniors for their academic and art success with a $500 scholarship from the Pico Rivera Arts & Culture Committee. The annual scholarship program was created in 1987 to help students maintain their visual or performing arts interests while achieving their educational goals.

- The City began live broadcasts of its regular City Council meetings on the City's cable television channel, CTV3. It also began making additional copies available at City Hall and at both city libraries.

Internal Controls

Management of the City of Pico Rivera is responsible for establishing and maintaining a system of internal controls. In developing and evaluating the City's accounting systems, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss, theft or misuse from unauthorized use or disposition and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits require estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System

This is the fourth year the City's Comprehensive Annual Financial Report (CAFR) is prepared in conformance with the new governmental financial reporting model established by the Governmental Accounting Standards Board's (GASB) statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis – for State and Local Governments.*

GASB 34 represents a fundamental revision of governmental financial reporting model. One of the major changes is the presentation of two kinds of financial statements: Government-wide statements and Fund statements.

Government-wide financial statements are consolidated financial statements for all of the City's operations on a full accrual basis of accounting. They are presented based on fiscal operations and organized into two major activities: governmental and business-type. They have a "net asset" focus. These are a new set of statements that are meant to reflect the City's fiscal operations in a similar manner to the private sector. Under these financial statements, the City is required to report capital fixed assets, including infrastructure, net of related depreciation. However, the City is not required to comply

with retroactive reporting of infrastructure until June 30, 2007. This will result in the future inclusion of additional infrastructure assets and an increased overall net asset value.

Fund statements continue to be presented. Traditionally, governmental agencies have presented their financial statements on the fund basis of accounting. One of the major changes that impact the City's financial presentation is the reporting of interfund borrowings. Interfund borrowings must be accounted for as assets and liabilities on the balance sheets of the respective funds. This will have the effect of reflecting long-term liabilities on fund balance sheets with an offsetting receivable in another fund. In the past, the long-term liability would not have been reflected in the fund balance sheet but rather would have been reflected in the general long-term debt account group. The impact is an increase in liabilities and therefore, a reduction in fund balance on such fund balance sheets.

Budgetary Controls

As a general law city within the State of California, the City of Pico Rivera is not legally required to adopt a budget. However, the City Council does review and adopt an annual budget prepared on the modified accrual basis of accounting and such budget is controlled at the overall fund level. The operating appropriations lapse at the fiscal year end unless specific written approval is obtained from the City Manager to carry over appropriations to the next fiscal year.

Cash Management

The City Treasurer is responsible for the cash management and investment program of the City. The City's investments are managed in compliance with the investment policy adopted by the City Council on November 19, 1984, reaffirmed annually and last updated June 20, 2006.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority provides a joint protection

wherein cities pool their losses and claims jointly and purchase excess insurance and share administrative and related costs. The program includes both comprehensive liability and workers' compensation coverage for member cities.

Annual Audit

The accounting firm of Diehl, Evans & Company, LLP performed the annual independent audit. The annual audit is designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor's report on the basic financial statements is included in the financial section of this report. Results of the Single Audit are reported separately.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting and CSMFO awarded a Certificate of Award for Outstanding Financial Reporting to the City of Pico Rivera for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This marks the 13th consecutive year the City has received both awards. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements. We believe that the current CAFR continues to conform to the award program requirements.

The California Society of Municipal Finance Officers (CSMFO) has announced that it will no longer award a Certificate of Award for Outstanding Financial Reporting to any City who received it last year. The City of Pico Rivera has received this award for the last

thirteen consecutive years. The CSMFO award requirements were changed this year. The CSMFO award is reverting to what it once was, a tool for assisting those agency's that were unable to qualify for the GFOA award or are applying for their first. Therefore we will not be applying for the CSMFO award.

Acknowledgments

The Finance Department takes great pride in the preparation of this report. The professionalism, commitment and effort of all the members of the Accounting Division have made this presentation possible. We also want to thank the members in other City departments who assisted in the preparation of this report. Finally, we thank you for your leadership and support as the governing body of the City.

Deborah R. Lopez
Acting City Manager

Robert S. Ridley
Director of Finance

FINANCIAL SECTION

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*A PROFESSIONAL CORPORATION

October 13, 2006

INDEPENDENT AUDITORS' REPORT

The Honorable City Council
of the City of Pico Rivera
Pico Rivera, 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 Pico Rivera, 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 Pico Rivera, California'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 opinions.

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 Pico Rivera, California as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2006 on our consideration of the City of Pico Rivera, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pico Rivera, California's basic financial statements. The introductory section, the combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

This section of the City's Comprehensive Annual Financial Report provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal and the City's financial statements.

FINANCIAL HIGHLIGHTS

For several years the financial trend has been one of increasing expenses outpacing revenues. While the ongoing increase in costs is likely to continue, significant effort has been made to hold costs down and increase local revenues. State takeaways have been somewhat reduced with a better State budget and voter action. After completing a cost analysis, user fees were increased to more fully recover the cost of delivery of many services. Economic growth of local retail and the California real estate market have resulted in higher sales tax and property tax revenues. The City continues to benefit from operating and capital grants, although less than in prior years. This year the efforts are showing positive results. Governmental expenses have been reduced and each category of program revenue of governmental activities has increased. The comparisons in the discussion and analysis below are between 2005-06 and 2004-05. All increases and decreases are expressed relative to 2004-05 results. Fiscal year 2005-06 financial highlights include the following:

Citywide

- The City's total net assets increased to $20.3 million, a $6.6 million increase.
- The City's total net assets invested in capital assets, net of related debt, increased to $61.7 million, a $1.0 million increase.
- The City's total restricted net assets increased to $16.5 million, a $.6 million increase.
- The City's total unrestricted net assets increased to ($57.9), a $5 million increase.
- Citywide revenues totaled $58.0 million, an increase of $6.7 million from the prior year. This consists of $26.1 million in program revenues and $31.9 million in general revenues. Program revenues increased by $4.1 million and general revenues increased by $2.7 million.
- Total citywide expenses were $51.4 million, a $2.8 million decrease.
- Citywide total assets increased to $123.7, a $5.8 million increase.
- Citywide capital assets increased to $83.6 million, a $.9 million increase.
- Citywide other assets increased to $40.2 million, a $5.0 million increase.
- Citywide total liabilities were $103.4 million, a $.8 million decrease.
- Citywide long term debt decreased $.4 million to $94.9 million.

See independent auditor' report.

- Citywide other liabilities were $8.5 million, a $.4 million decrease.

Fund Level – Governmental Funds

- Governmental Fund balances increased to ($27.1) million, a $5.4 million increase.
- Governmental Fund revenues increased to $50.6 million, a $5.9 million increase.
- Governmental Fund expenditures were $45.3 million, a $.3 million decrease.
- General Fund revenues came in at $24.1 million, an increase of $1.9 million over prior year levels.
- General Fund expenditures were $26.1 million, a decrease of $147,000.
- The General Fund balance of $12.7 million at June 30, 2006 was an increase of $2.5 million from the prior year.

Fund Level – Enterprise Funds

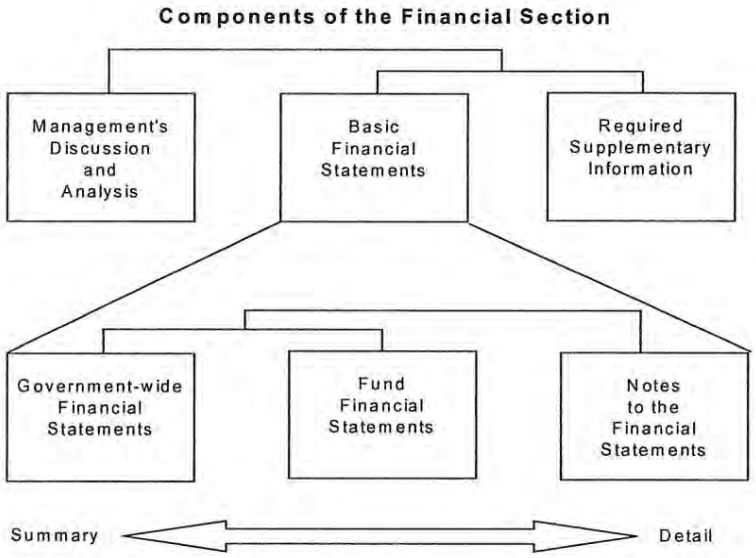
- Enterprise Fund net assets decreased to $30.0 million, a $.1 million decrease.
- Enterprise Fund revenues decreased to $9.0 million, a $.1 million decrease.
- Enterprise Fund expenses increased to $8.9 million, a $.3 million increase.
- Enterprise Fund transfers out decreased to $215,000, a $.5 million decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - management's discussion and analysis (this portion), the basic financial statements, required supplementary information, and optional combining statements for other governmental funds, other enterprise funds, and agency funds. This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1) government-wide financial statements 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

See independent auditor' report.



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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public works, community development, recreation, non-departmental, and interest on long-term debt.

The government-wide financial statements include not only the City itself (known as the primary government), but also three legally separate entities, the Pico Rivera Redevelopment Agency, the Pico Rivera Water Authority, and the Pico Rivera Financing Authority. The City is financially accountable for these entities and financial information for these blended component units is reported within the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 17 of this report.

See independent auditor' report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 32 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Housing Agency and State Relinquishment Special Revenue Funds, Debt Service Fund, and the Capital Improvement and Redevelopment Agency Capital Projects Funds, each of which are considered to be major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements in the other governmental funds supplementary information section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate its compliance with this budget.

The governmental fund financial statements can be found beginning on page 22 of this report.

Proprietary Funds. The City maintains several proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Pico Rivera Water Authority Fund, Pico Rivera Water Enterprise Fund, Pico Rivera Sports Arena Fund, Stables Fund, Campground Fund, and the Pico Rivera Golf Course Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among a City's various self-supporting functions. The City does not use any internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Pico Rivera Water Authority Fund and Pico Rivera Water Enterprise Fund are aggregated and presented as a major fund in the financial statements. Individual fund data for the other proprietary funds is provided in the form of combining statements in the supplementary information section of this report.

The basic proprietary fund financial statements can be found beginning on page 29 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 34 of this report.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 35 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the comparison of budgeted to actual results for the general and major special revenue funds. Required supplementary information can be found beginning on page 73 of this report.

The combining statements referred to earlier in connection with other governmental funds and other enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 86 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City of Pico Rivera is presenting its financial statements under the new reporting model required by GASB 34. This report model changes significantly both the recording and presentation of financial data. As this is the third year under this model, prior year information is shown along with the current year for comparative analysis of government-wide data.

Table 1
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	$ 31,630,563	26,812,533	$ 8,528,817	8,385,489	$ 40,159,380	35,198,022
Internal Balances	(32,896,603)	(33,802,835)	32,896,603	33,802,835	-	-
Capital assets	34,740,084	33,352,038	48,815,788	49,334,096	83,555,872	82,686,134
Total assets	33,474,044	26,361,736	90,241,208	91,522,420	123,715,252	117,884,156
Liabilities:						
Current and other liabilities	7,302,324	7,781,409	1,176,698	1,117,194	8,479,022	8,898,603
Long-term liabilities	35,905,281	35,082,672	59,030,182	60,234,573	94,935,463	95,317,245
Total liabilities	43,207,605	42,864,081	60,206,880	61,351,767	103,414,485	104,215,848
Net assets:						
Invested in capital assets, net of related debt	34,740,084	32,697,038	26,990,694	27,994,096	61,730,778	60,691,134
Restricted	12,304,490	11,439,231	4,171,209	4,449,323	16,475,699	15,888,554
Unrestricted	(56,778,135)	(60,638,614)	(1,127,575)	(2,272,766)	(57,905,710)	(62,911,380)
Total net assets	$ (9,733,561)	(16,502,345)	$ 30,034,328	30,170,653	$ 20,300,767	13,668,308

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In this case, City's assets exceeded liabilities by $20,300,767 at June 30, 2006 and by $13,668,308 at June 30, 2005.

See independent auditor' report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An important component of net assets is capital assets (e.g., land, buildings, infrastructure, furniture and equipment, etc.), net of related debt. The City's investment in capital assets is $61,730,778. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's restricted net assets of $16,475,699 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City has a negative balance in unrestricted net assets. The requirements for implementing GASB 34 allow cities of our size up to four additional years to analyze and value all City infrastructure. This will result in the future inclusion of additional infrastructure assets and an increased overall net asset value.

Governmental Activities. Governmental activities increased the City's net assets by $6,632,459 thereby accounting for the 48% increase in the net assets of the City. Key elements of this increase are as follows:

- The City general revenues increased by $2.6 million, the largest increase being $1.1 in property taxes received and $.9 million in sales tax. Most of the remaining increases were spread across franchise fees and utility user fees.

- Program revenues increased by $4.3. $2.8 million of this was for the State relinquishment of Whittier Blvd. Charges for services increased $330,000 as expected due to increased user fees which align the cost of delivery of services to the user of those services. Operating grants and Federal and State contributions increased $1.2 million.

Business-Type Activities. Business-type activities decreased the City's net assets by $136,000. Revenues and transfers out were less, by $131,000 and $521,000 respectively. Expenses increased by $291,000. This resulted in the $136,000 decrease in net assets, which is a slight improvement over the prior year's reduction of $236,000.

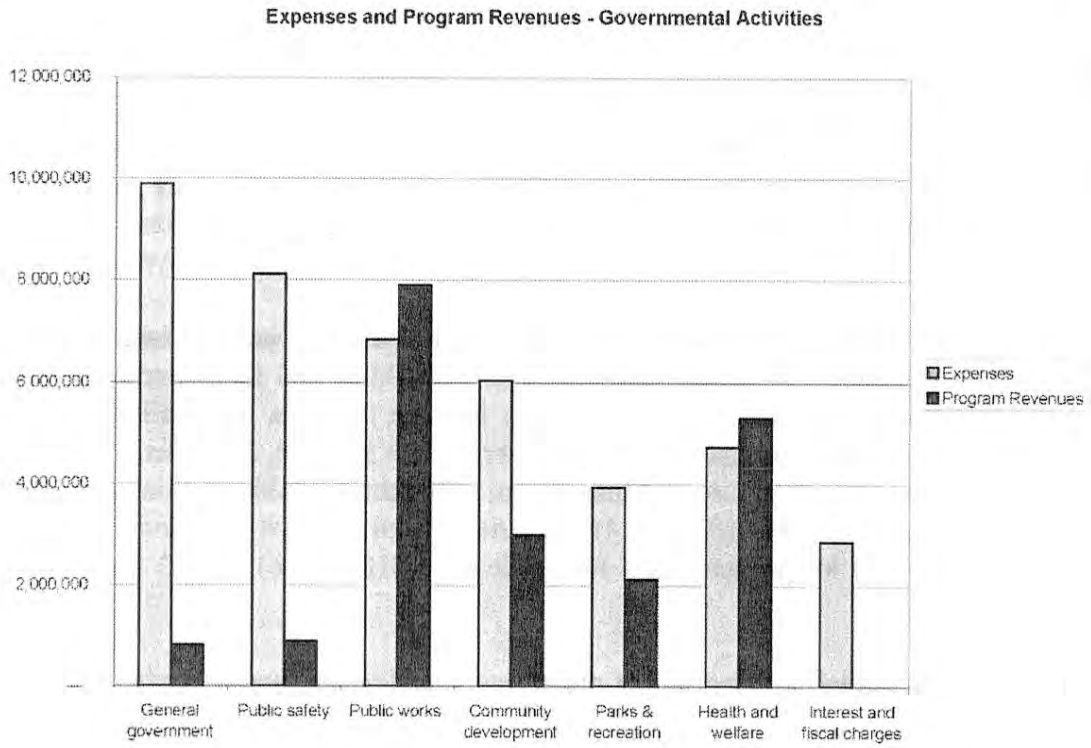
See independent auditor' report.

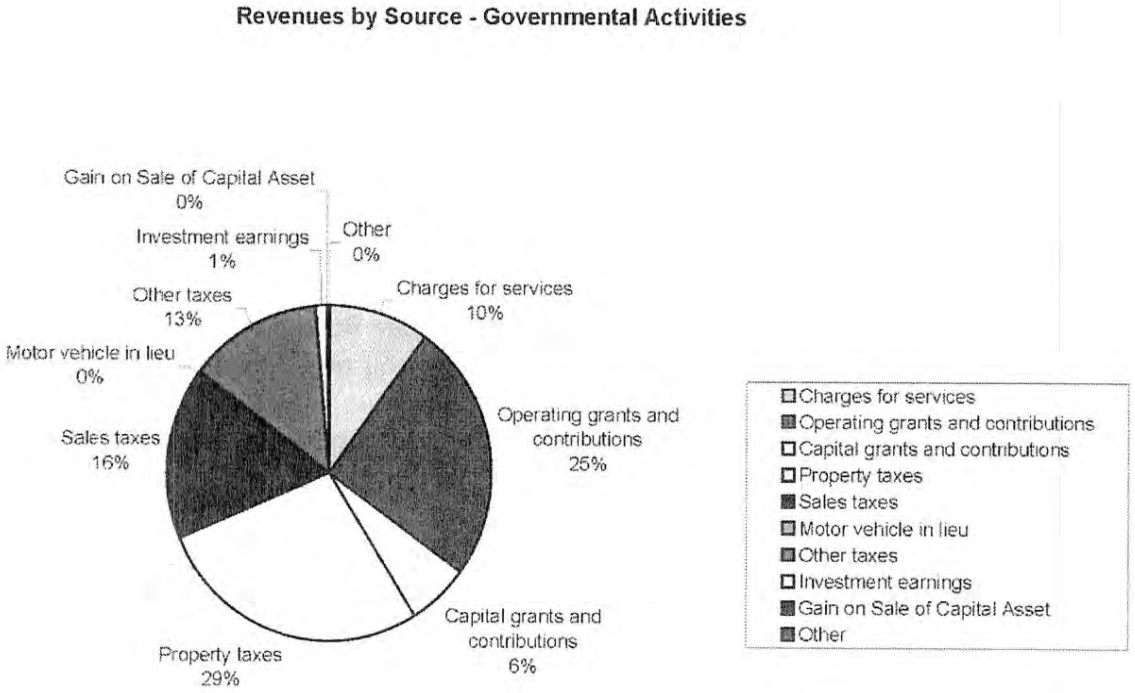
Table 2
Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$ 4,899,723	4,570,939	$ 5,993,832	6,192,055	$ 10,893,555	10,762,994
Operating Grants and Contributions	12,315,594	11,065,958			12,315,594	11,065,958
Capital grants and contributions	2,874,000	182,808			2,874,000	182,808
General revenues:						
Property taxes	13,574,447	7,759,956			13,574,447	7,759,956
Sales and use taxes	7,969,973	7,059,294			7,969,973	7,059,294
Utility users taxes	3,836,457	3,620,239			3,836,457	3,620,239
Franchise taxes	969,595	1,109,691			969,595	1,109,691
Other taxes	1,732,339	5,789,985			1,732,339	5,789,985
Unrestricted Motor Vehicle-n-lieu	237,016	0			237,016	0
Unrestricted investment earnings	455,006	757,285	3,002,851	2,935,534	3,457,857	3,692,819
Gain on Sale of Capital Assets	156,156	0			156,156	0
Miscellaneous	3,713	237,184			3,713	237,184
Total revenue	49,024,019	42,153,339	8,996,683	9,127,589	58,020,702	51,280,928
Expenses:						
General government	9,895,699	11,428,626			9,895,699	11,428,626
Public safety	8,116,757	7,623,674			8,116,757	7,623,674
Public works	6,847,821	6,126,234			6,847,821	6,126,234
Community development	6,051,055	7,558,819			6,051,055	7,558,819
Parks & rec services	3,940,046	4,981,564			3,940,046	4,981,564
Health and welfare	4,742,546	4,579,545			4,742,546	4,579,545
Interest and fiscal charges	2,875,836	3,309,305			2,875,836	3,309,305
Enterprise operations			8,918,483	8,627,353	8,918,483	8,627,353
	42,469,760	45,607,767	8,918,483	8,627,353	51,388,243	54,235,120
Increase (decrease) in net assets before transfers	6,554,259	(3,454,428)	78,200	500,236	6,632,459	(2,954,192)
Transfers	214,525	735,910	(214,525)	(735,910)		
Increase (decrease) in net assets	6,768,784	(2,718,518)	(136,325)	(235,674)	6,632,459	(2,954,192)
Net assets July 1, 2005	(16,502,345)	(13,783,827)	30,170,653	30,406,327	13,668,308	16,622,500
Net assets, June 30, 2006	$ (9,733,561)	(16,502,345)	$ 30,034,328	30,170,653	$ 20,300,767	13,668,308

See independent auditor' report.

Financial Analysis of the City's Funds





See independent auditor' report.

As noted earlier, the City's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Financial Statements

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of June 30, 2006, the City's governmental funds reported combined ending fund deficit of $27,084,803. The City's governmental funds report a negative $39,080,283 in its unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service $84,738, 2) reflect amounts due from other funds that are long term in nature and thus do not represent available spendable resources $9,751,361, 3) for prepaids and deposits $105,017, 4) funds designated for Low and Moderate income housing activities $1,460,084, 5) for property held for resale $587,610, and 6) $6,670 for long term receivables.

Introduction. The Fund Financial Statements are presented by individual major funds, while non-major funds are combined in a single column. Major Funds are defined generally as having significant activities or balances in the current year.

Major Governmental Funds. The funds described below were determined to be Major Funds by the City in fiscal year 2005-06. Individual non-major funds may be found in the Supplemental section.

General Fund. The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds, and related expenditures.

Housing Agency Fund (A special revenue fund). The Housing Agency Fund accounts for rental assistance expenditures to assist low and very low income families with their housing needs.

State Relinquishment Fund (A special revenue fund). The State Relinquishment Fund accounts for funds received from the California Department of Transportation for maintenance of Rosemead Blvd.

Debt Service Fund. The Debt Service Fund accounts for the resources accumulated and payment made for principal and interest on long-term obligation debt of the governmental funds.

Capital Improvement Fund. The Capital Improvement Fund is a capital improvements fund that accounts for all capital expenditures not accounted for in the capital projects of the Redevelopment Agency.

Redevelopment Agency Fund. The Redevelopment Agency Capital Projects Fund accounts for the financial resources to be used for property acquisition, improvement, and rehabilitation within project areas authorized under provisions of the California Community Redevelopment Law.

See independent auditor' report.

Please refer to pages 22 and 23 for the Balance Sheet of Governmental Funds, page 25 for the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets, pages 26 and 27 for the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, and page 28 for the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $2,868,707 while the total fund balance reached $12,725,085. Unreserved General fund balance represents 11% of total general fund expenditures of $26,149,483.

The fund balance of the City's General Fund increased by $2.7 million during the current fiscal year. Key factors of this increase are as follows:

- Expenditures exceeded revenues by $2.0 million.
- Transfers in exceeded transfers out by $4.6 million
- Sales of assets netted $156,000.

General Fund Budgetary Highlights

- Actual revenues exceeded budgeted revenues by a net of $4.1 million. The two largest favorable variances were intergovernmental revenues of $1.5 million and taxes and assessments of $2.6 million.
- Actual expenditures were under budget by $590,000. The variances were: general government $186,000 under budget, parks and recreation $126,000 under budget, public works $280,000 over budget, public safety $553,000 under budget, and interest charges $5,000 under budget.
- Total other financing sources (uses) had cumulative unfavorable variances of $1,420,000.
- The original and final budget for revenues was unchanged while the expenditure budget was increased $1.1 million. This was funded by an increase of transfers in budget of $.9 million with the balance coming from fund balances. The budgeted transfer in was from the State Relinquishment fund.

Housing Agency. The Housing Agency special revenue fund has an ending fund balance of $788,633 a $378,000 increase from the prior year.

State Relinquishment Fund. The State Relinquishment Fund has an ending balance of $7,897,736. This fund represents the one time funding received from the California Department of Transportation for the maintenance of Rosemead Blvd. and Whittier Blvd. The increase in fund balance of $2.4 million represents the net of $218,000 of investment revenue, utilization of $663,000 for expenses approved by City Council, and $2,874,000 from CalTrans for the relinquishment of Whittier Blvd.

Debt Service Fund. The Debt Service Fund represents the debt owed to Pico Rivera Water Authority for their investment in the Redevelopment Agency 2001 Revenue Bonds. The ending fund balance of ($35,521,363) represents a net decrease of $792,418 in the amount owed from the prior year.

See independent auditor' report.

Capital Improvement Fund. The Capital Improvement Fund has an ending balance of ($8,106) and is usually a smaller fund balance as funds are transferred into this fund from another funding source as funds are expended. In 2005-06 approximately $1.7 million of capital improvements were made.

Redevelopment Agency Capital Improvements Fund. The ending fund balance of ($22,637,568) represents a decrease of $1,762,553 from the prior year.

Proprietary Funds. City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

Enterprise Funds. Total net assets of the enterprise funds totaled $30,034,328 and total decrease in net assets for these funds was $136,325 for the year ended June 30, 2006.

Internal Service Funds. The City does not use internal service funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental activities amounts to $34,740,084 (net of accumulated depreciation of $10,787,599) as of June 30, 2006. This investment in capital assets includes land, buildings, structures and improvements, infrastructure (roads, sidewalks, streetlights, etc.), furniture and equipment and construction in progress.

Table 3
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 2,459,160	2,459,160	$ 18,174,825	18,174,825	$ 20,633,985	20,633,985
Structures & Improvements	21,696,565	21,665,536	5,457,447	5,457,447	27,154,012	27,122,983
Furniture and equipment	7,461,706	7,348,351	1,227,105	1,122,194	8,688,811	8,470,545
Utility Plant			27,365,589	27,365,589	27,365,589	27,365,589
Infrastructure	10,814,265	10,584,892	3,588,332	3,588,332	14,402,597	14,173,224
Construction-in-Progress	3,095,987	1,011,995			3,095,987	1,011,995
Total	45,527,683	43,069,934	55,813,298	55,708,387	101,340,981	98,778,321
Less: Accum Depreciation	(10,787,599)	(9,717,896)	(6,997,510)	(6,374,291)	(17,785,109)	(16,092,187)
Net	$ 34,740,084	33,352,038	$ 48,815,788	49,334,096	$ 83,555,872	82,686,134

Additional information on the City's capital assets can be found in note 5 to the basic financial statements on pages 53 through 56 of this report.

See independent auditor' report.

Major capital asset events during the current fiscal year included the following:

Governmental activities:

- Construction in Progress additions of $2,205,166 and completions of $121,174 in capital projects.

Business-type activities:

- Purchase of water system equipment costing $104,956.

Debt Administration. At June 30, 2006, the City had total bonded debt outstanding of $58,665,000. This represents revenue bonds to finance the initial lease payment under the terms of a capital lease between the City and the Water Authority and to purchase Redevelopment Agency tax allocation bonds. The General Obligation Bonds issued to pay the City's obligation due to the aerospace sales tax rebate liability were paid off in December 2005.

Table 4
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Bonded indebtedness:						
General Obligation Bonds	$ -	375,000	$ -	-	$ -	375,000
Revenue Bonds	-	-	58,665,000	59,855,000	58,665,000	59,855,000
Bond premium	-	-	910,094	949,952	910,984	949,952
Bond discount	-	-	(652,128)	(678,836)	(652,128)	(678,836)
Other long-term debt:					-	-
Los Angeles County deferrals	35,325,140	33,724,853	-	-	35,325,140	33,724,853
Section 108 Loan	-	280,000	-	-	-	280,000
Compensated Absences	580,141	702,819	107,216	108,457	687,357	811,276
Total	$ 35,905,281	35,082,672	$ 59,030,182	60,234,573	$ 94,936,353	95,317,245

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City is $514,562,511, which is significantly in excess of the City's outstanding general obligation debt. See note 6 on page 56.

See independent auditor' report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Community Development activities of the City have been very successful. The impact of the Pico Rivera Towne Center and other developments has been shown through increases in sales tax revenues and assessed property valuations. The 2005-2006 total City sales tax revenues increased over $1.4 million to $7.9 million for a 22% increase. Citywide assessed valuations increased $318,000,000 or 10.2%. This has resulted in a $1.4 million increase in property tax and tax increment receipts. The Towne Center, now open, has over 40 new retailers and restaurants, including a Walmart, Lowe's, Staples, Ross, Borders Bookstore and Marshall's. The Krikorian Theatre Complex with restaurants and retail has broken ground.

The 2006-2007 Budget presents a somewhat improved financial picture for the City. The General fund budget provides for significant enhancements in public safety while expecting an improved reserve. While this $2,000,000 reserve is a modest 7% of general fund operating expenses, it is an improvement over the previous year. The City continues to enjoy the benefit of sales tax increases that come from more diverse sources than in the past. We are also benefiting from the run up of the real estate market. We believe the City continues to improve while remaining fiscally prudent.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Director of Finance, Pico Rivera, California

See independent auditor' report.

CITY OF PICO RIVERA

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	$ 21,485,890	$ 1,133,622	$ 22,619,512
Cash and investments with fiscal agent (Note 2)	84,738	4,562,944	4,647,682
Receivables, net			
Accounts	2,531,161	682,588	3,213,749
Interest	560,397	10,652	571,049
Taxes	2,148,823	-	2,148,823
Internal balances	(32,896,603)	32,896,603	-
Inventories	-	112,526	112,526
Prepaids and deposits	50,017	55,975	105,992
Deferred charges	-	1,970,510	1,970,510
Long-term receivables	4,181,927	-	4,181,927
Land held for resale	587,610	-	587,610
Capital assets, not depreciated (Note 5)	5,555,147	18,174,825	23,729,972
Capital assets, depreciated, net (Note 5)	29,184,937	30,640,963	59,825,900
TOTAL ASSETS	33,474,044	90,241,208	123,715,252
LIABILITIES:			
Accounts payable	2,281,797	234,562	2,516,359
Accrued liabilities	186,098	30,262	216,360
Deposits	808,153	520,139	1,328,292
Interest payable	-	391,735	391,735
Unearned revenue	104,233	-	104,233
Payable to grantors	3,922,043	-	3,922,043
Long-term liabilities (Note 6):			
Due within one year	58,014	1,265,722	1,323,736
Due in more than one year	35,847,267	57,764,460	93,611,727
TOTAL LIABILITIES	43,207,605	60,206,880	103,414,485
NET ASSETS:			
Invested in capital assets, net of related debt	34,740,084	26,990,694	61,730,778
Restricted for:			
Capital improvements	3,623,565	-	3,623,565
Community development	2,755,048	-	2,755,048
Debt service	84,738	4,171,209	4,255,947
Special purposes	5,841,139	-	5,841,139
Unrestricted	(56,778,135)	(1,127,575)	(57,905,710)
TOTAL NET ASSETS (DEFICIT)	$ (9,733,561)	$ 30,034,328	$ 20,300,767

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General government	$ 9,895,699	$ 500,226	$ 331,340	$ -
Public safety	8,116,757	902,834	-	-
Public works	6,847,821	1,258,618	3,776,471	2,874,000
Parks and recreation	3,940,046	707,524	1,419,537	-
Health and welfare	4,742,546	476,841	4,839,947	-
Community development	6,051,055	1,053,680	1,948,299	-
Interest and fiscal charges	2,875,836	-	-	-
Total governmental activities	42,469,760	4,899,723	12,315,594	2,874,000
Business-type activities:				
Water	7,812,309	5,059,106	-	-
Sports Arena	78,397	124,099	-	-
Stables	29,119	12,000	-	-
Campground	47,696	-	-	-
Golf	950,962	798,627	-	-
Total business-type activities	8,918,483	5,993,832	-	-
Total	$ 51,388,243	$ 10,893,555	$ 12,315,594	$ 2,874,000

General revenues:
- Taxes:
  - Property
  - Sales and use
  - Franchise
  - Utility users
  - Other
- Unrestricted motor vehicle license in lieu
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets (deficit) - beginning of year,

Net assets (deficit) - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (9,064,133)	$ -	$ (9,064,133)
(7,213,923)	-	(7,213,923)
1,061,268	-	1,061,268
(1,812,985)	-	(1,812,985)
574,242	-	574,242
(3,049,076)	-	(3,049,076)
(2,875,836)	-	(2,875,836)
(22,380,443)	-	(22,380,443)
-	(2,753,203)	(2,753,203)
-	45,702	45,702
-	(17,119)	(17,119)
-	(47,696)	(47,696)
-	(152,335)	(152,335)
-	(2,924,651)	(2,924,651)
(22,380,443)	(2,924,651)	(25,305,094)
13,574,447	-	13,574,447
7,969,973	-	7,969,973
969,595	-	969,595
3,836,457	-	3,836,457
1,732,339	-	1,732,339
237,016		237,016
455,006	3,002,851	3,457,857
156,156	-	156,156
3,713	-	3,713
214,525	(214,525)	-
29,149,227	2,788,326	31,937,553
6,768,784	(136,325)	6,632,459
(16,502,345)	30,170,653	13,668,308
$ (9,733,561)	$ 30,034,328	$ 20,300,767

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CITY OF PICO RIVERA

DESCRIPTION OF MAJOR FUNDS

June 30, 2006

GOVERNMENTAL FUNDS

The General Fund is the City's primary operating fund and accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The Housing Agency Special Revenue Fund accounts for rental assistance expenditures incurred to assist very low and low income families in meeting their housing needs. Funds are provided by the U.S. Department of Housing and Urban Development.

The State Relinquishment Special Revenue Fund accounts for funds received from the California Department of Transportation for maintenance of Rosemead Boulevard.

The Debt Service Fund accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Improvement Capital Projects Fund accounts for all capital expenditures not being accounted for in the capital projects of the Redevelopment Agency, or in other fund types.

The Redevelopment Agency Capital Projects Fund accounts for the financial resources to be used for property acquisition, improvement, and rehabilitation within project areas authorized under provisions of the California Community Redevelopment Law.

ENTERPRISE FUND

The Water Operations accounts for the operation and maintenance of the City's water treatment, water transmission and distribution system.

See independent auditors' report.

CITY OF PICO RIVERA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

	General	Special Revenue Funds: Housing Agency	Special Revenue Funds: State Relinquishment
ASSETS			
Cash and investments	$ -	$ 781,195	$ 7,260,332
Receivables:			
Accounts	963,387	918	-
Taxes	1,505,555	-	-
Interest	7,814	5,871	68,802
Prepaids and deposits	105,017	-	-
Due from other funds (Note 3)	4,129,752	4,743	568,821
Restricted cash and investments	-	29,032	-
Long-term receivables	-	56,370	-
Advances to other funds (Note 3)	25,959,586	-	-
Land held for resale	-	-	-
TOTAL ASSETS	$ 32,671,111	$ 878,129	$ 7,897,955
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 1,812,846	$ 22,805	$ 219
Accrued liabilities	170,671	-	-
Due to other funds (Note 3)	1,267	10,321	-
Deposits	863,153	-	-
Deferred revenue	17,098,089	56,370	-
Advances from other funds (Note 3)	-	-	-
TOTAL LIABILITIES	19,946,026	89,496	219
FUND BALANCES (DEFICITS):			
Reserved (Note 13)	9,856,378	-	-
Unreserved reported in:			
General fund	2,868,707	-	-
Special revenue funds	-	788,633	-
Debt service funds	-	-	7,897,736
Capital projects funds	-	-	-
TOTAL FUND BALANCES (DEFICITS)	12,725,085	788,633	7,897,736
TOTAL LIABILITIES AND FUND BALANCES	$ 32,671,111	$ 878,129	$ 7,897,955

See independent auditors' report and notes to financial statements.

Debt Service	Capital Projects Funds: Capital Improvement	Capital Projects Funds: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
$ 241,587	$ 154,048	$ 1,284,562	$ 11,735,134	$ 21,456,858
-	-			
-	-	1,009	1,565,847	2,531,161
86,602	-	463,420	93,246	2,148,823
-	-	18,330	459,580	560,397
-	-	-	-	105,017
-	-	-	-	4,703,316
84,738	-	-	-	113,770
-	-	589,607	3,535,950	4,181,927
-	-	-	-	25,959,586
-	-	587,610	-	587,610
$ 412,927	$ 154,048	$ 2,944,538	$ 17,389,757	$ 62,348,465
$ -	$ 162,154	$ 2,495	$ 281,278	$ 2,281,797
-	-	9,398	6,029	186,098
-	-	1,076,456	2,627,776	3,715,820
-	-	-	-	863,153
-	-	584,362	4,803,894	22,542,715
35,934,290	-	23,909,395	-	59,843,685
35,934,290	162,154	25,582,106	7,718,977	89,433,268
84,738	-	2,054,364	-	11,995,480
-	-	-	-	2,868,707
-	-	-	9,859,091	10,647,724
(35,606,101)	-	-	-	(27,708,365)
-	(8,106)	(24,691,932)	(188,311)	(24,888,349)
(35,521,363)	(8,106)	(22,637,568)	9,670,780	(27,084,803)
$ 412,927	$ 154,048	$ 2,944,538	$ 17,389,757	$ 62,348,465

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CITY OF PICO RIVERA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Fund balances (deficit) for governmental funds		$(27,084,803)
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	$ 45,527,683	
Less accumulated depreciation	(10,787,599)	
		34,740,084
Long-term loans receivable and accrued unpaid interest on long-term loans receivable and advances to other funds are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds. In the Statement of Net Asset these receivables are recognized as earned revenues.		18,516,439
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Compensated absences	$ (580,141)	
County deferral	(35,325,140)	
		(35,905,281)
Net assets (deficit) of governmental activities		$ (9,733,561)

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2006

		Special Revenue Funds	
	General	Housing Agency	State Relinquishment
REVENUES:			
Taxes and assessment	$ 13,495,255	$ -	$ -
Licenses and permits	2,942,873	-	-
Intergovernmental	5,071,296	4,529,204	-
Charges for services	1,056,567	-	-
Fines, forfeitures and penalties	1,164,730	-	-
Investment and rental	118,328	17,396	218,023
Miscellaneous	267,739	21,804	2,874,000
TOTAL REVENUES	24,116,788	4,568,404	3,092,023
EXPENDITURES:			
Current:			
General government	9,180,362	-	-
Public safety	8,112,907	-	-
Public works	5,751,300	-	3,857
Parks and recreation	2,718,074	-	-
Health and welfare	-	4,189,637	-
Community development	-	-	-
Pass through to other agencies	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	375,000	-	-
Interest and fiscal charges	11,840	-	-
TOTAL EXPENDITURES	26,149,483	4,189,637	3,857
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,032,695)	378,767	3,088,166
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	156,156	-	-
Transfers in (Note 3)	4,931,283	-	-
Transfers out (Note 3)	(301,498)	-	(658,814)
TOTAL OTHER FINANCING SOURCES (USES)	4,785,941	-	(658,814)
NET CHANGE IN FUND BALANCES	2,753,246	378,767	2,429,352
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	9,971,839	409,866	5,468,384
FUND BALANCES (DEFICITS) - END OF YEAR	$ 12,725,085	$ 788,633	$ 7,897,736

See independent auditors' report and notes to financial statements.

Debt Service	Capital Projects Funds: Capital Improvement	Capital Projects Funds: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
$ 6,649,379	$ -	$ 3,125,494	$ 1,176,844	$ 24,446,972
-	-	-	-	2,942,873
-	-	-	6,281,613	15,882,113
-	-	-	217,694	1,274,261
-	-	-	-	1,164,730
28,774	-	57,137	397,099	836,757
-	-	50,638	847,105	4,061,286
6,678,153	-	3,233,269	8,920,355	50,608,992
83,542	-	319,467	5,989	9,589,360
-	-	-	-	8,112,907
-	-	-	1,325,387	7,080,544
-	-	-	961,371	3,679,445
-	-	-	552,909	4,742,546
-	-	605,302	1,151,287	1,756,589
4,280,086	-	-	-	4,280,086
-	1,711,001	-	152,170	1,863,171
-	-	-	280,000	655,000
2,788,234	-	1,013,266	8,974	3,822,314
7,151,862	1,711,001	1,938,035	4,438,087	45,581,962
(473,709)	(1,711,001)	1,295,234	4,482,268	5,027,030
-	-	-	-	156,156
1,266,127	1,741,199	162,500	350,420	8,451,529
-	-	(3,220,287)	(4,056,405)	(8,237,004)
1,266,127	1,741,199	(3,057,787)	(3,705,985)	370,681
792,418	30,198	(1,762,553)	776,283	5,397,711
(36,313,781)	(38,304)	(20,875,015)	8,894,497	(32,482,514)
$ (35,521,363)	$ (8,106)	$ (22,637,568)	$ 9,670,780	$ (27,084,803)

CITY OF PICO RIVERA

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

For the year ended June 30, 2006

Net change in fund balances - total governmental funds		$ 5,397,711
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 cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period:		
Capital expenditures	$ 2,457,749	
Depreciation expense	(1,069,703)	
		1,388,046
County deferral is reported as intergovernmental revenue in governmental funds and contributes to the change in fund balance. In the government-wide financial statements, obtaining debt increases long-term liabilities in the statement of net assets and does not affect the Statement of Activities.		(1,524,083)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Interest income on notes receivable and advances to other funds	$ 1,059,997	
Motor vehicle taxes	(261,438)	
Sales tax	44,586	
Capital grants and contributions	9,161	
		852,306
Collection of long-term receivables are treated as an asset reduction in the Statement of Net Assets but recorded as revenues in the governmental funds.		
Receivable from developer on rehabilitation project		(56,086)
The issuance of long term debt 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. These amounts are the net effect of these differences in the treatment of long-term debt and related items:		
Principal payments		655,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Interest on county deferral	$ (76,204)	
Interest on bonds and notes payable	9,416	
Net change in compensated absences	122,678	
		55,890
Change in net assets of governmental activities		$ 6,768,784

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2006

	Business-type Activities - Enterprise Funds		
	Water Operations	Other Funds	Total
ASSETS			
CURRENT ASSETS:			
Cash and investments	$ 1,000,000	$ 133,622	$ 1,133,622
Restricted cash and investments	776,360	-	776,360
Receivables, net:			
Accounts	679,588	3,000	682,588
Interest	8,833	1,819	10,652
Deposits	41,530	14,445	55,975
Inventories, at cost	92,712	19,814	112,526
TOTAL CURRENT ASSETS	2,599,023	172,700	2,771,723
NONCURRENT ASSETS:			
Restricted cash and investments	3,786,584	-	3,786,584
Advances to other funds	36,321,690	-	36,321,690
Deferred charges	1,970,510	-	1,970,510
Capital assets, not depreciated	18,131,750	43,075	18,174,825
Capital assets, depreciated, net	28,459,676	2,181,287	30,640,963
TOTAL NONCURRENT ASSETS	88,670,210	2,224,362	90,894,572
TOTAL ASSETS	91,269,233	2,397,062	93,666,295
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	206,486	28,076	234,562
Accrued interest payable	391,735	-	391,735
Accrued liabilities	24,817	5,445	30,262
Due to other funds (Note 3)	74,943	912,553	987,496
Deposits	520,139	-	520,139
Bonds payable	1,255,000	-	1,255,000
Compensated absences	8,481	2,241	10,722
TOTAL CURRENT LIABILITIES	2,481,601	948,315	3,429,916
NONCURRENT LIABILITIES:			
Advances from other funds (Note 3)	-	2,437,591	2,437,591
Bonds payable	57,667,966	-	57,667,966
Compensated absences	76,327	20,167	96,494
TOTAL NONCURRENT LIABILITIES	57,744,293	2,457,758	60,202,051
TOTAL LIABILITIES	60,225,894	3,406,073	63,631,967
NET ASSETS			
Invested in capital assets, net of related debt	24,766,332	2,224,362	26,990,694
Restricted for debt service	4,171,209	-	4,171,209
Unrestricted	2,105,798	(3,233,373)	(1,127,575)
TOTAL NET ASSETS (DEFICIT)	$ 31,043,339	$ (1,009,011)	$ 30,034,328

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Water Operations	Other Funds	Total
OPERATING REVENUES:			
Charges for services	$ 5,032,503	$ 874,917	$ 5,907,420
Other revenues	26,603	59,809	86,412
TOTAL OPERATING REVENUES	5,059,106	934,726	5,993,832
OPERATING EXPENSES:			
Salaries and benefits	1,175,951	361,008	1,536,959
Contractual services	64,906	41,702	106,608
Administrative	1,115,349	261,085	1,376,434
Utilities	215,020	114,021	329,041
Maintenance and supplies	1,155,471	106,000	1,261,471
Amortization	83,037	-	83,037
Depreciation	463,237	160,027	623,264
TOTAL OPERATING EXPENSES	4,272,971	1,043,843	5,316,814
OPERATING INCOME	786,135	(109,117)	677,018
NONOPERATING REVENUES (EXPENSES):			
Investment income	2,997,557	5,294	3,002,851
Interest expense	(3,539,338)	(62,331)	(3,601,669)
TOTAL NONOPERATING REVENUES (EXPENSES)	(541,781)	(57,037)	(598,818)
INCOME BEFORE TRANSFERS	244,354	(166,154)	78,200
TRANSFERS OUT	(54,800)	(159,725)	(214,525)
CHANGE IN NET ASSETS	189,554	(325,879)	(136,325)
TOTAL NET ASSETS (DEFICIT) - BEGINNING OF YEAR	30,853,785	(683,132)	30,170,653
TOTAL NET ASSETS (DEFICIT) - END OF YEAR	$ 31,043,339	$ (1,009,011)	$ 30,034,328

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Water Operations	Other Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 5,188,317	$ 933,793	$ 6,122,110
Payments to suppliers	(2,529,291)	(522,033)	(3,051,324)
Payments to employees	(1,186,644)	(359,089)	(1,545,733)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,472,382	52,671	1,525,053
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Received from other funds	74,943	309,893	384,836
Paid to other funds	(54,800)	(259,725)	(314,525)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	20,143	50,168	70,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(16,172)	(88,739)	(104,911)
Principal retired	(1,190,000)	-	(1,190,000)
Interest paid	(3,560,327)	-	(3,560,327)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,766,499)	(88,739)	(4,855,238)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments received on advances to the redevelopment agency	670,000	-	670,000
Interest received	2,882,592	3,974	2,886,566
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,552,592	3,974	3,556,566
NET INCREASE IN CASH AND CASH EQUIVALENTS	278,618	18,074	296,692
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,284,326	115,548	5,399,874
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,562,944	$ 133,622	$ 5,696,566

(Continued)

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Water Operations	Other Funds	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	$ 786,135	$ (109,117)	$ 677,018
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	463,237	160,027	623,264
Amortization	83,037	-	83,037
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivables	97,929	(933)	96,996
(Increase) decrease in deposits	4,580	(2,760)	1,820
(Increase) decrease in inventories	(25,596)	2,413	(23,183)
Increase (decrease) in accounts payable	42,471	1,122	43,593
Increase (decrease) in accrued liabilities	(5,606)	(1,927)	(7,533)
Increase (decrease) in deposits payable	31,282	-	31,282
Increase (decrease) in compensated absences	(5,087)	3,846	(1,241)
TOTAL ADJUSTMENTS	686,247	161,788	848,035
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,472,382	$ 52,671	$ 1,525,053
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Changes in advances related to accrued interest	$ 15,600	$ 62,331	$ 77,931

See independent auditors' report and notes to financial statements.

CITY OF PICO RIVERA

DESCRIPTION OF AGENCY FUND

June 30, 2006

The Agency Fund accounts for assets held by the City as an agent for bond assessment districts. The Agency Fund is as follows:

The Assessment District 95-1 Improvement Fund accounts for monies received for the payment of the Special Assessment Bonds. Funds are annually assessed to each respective property owner by the Los Angeles County Tax Collector and remitted to the City.

See independent auditors' report.

CITY OF PICO RIVERA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

June 30, 2006

	Assessment District 95-1 Improvement Agency Fund
ASSETS	
Cash and investments	$ 35,159
Taxes receivables	5,285
TOTAL ASSETS	$ 40,444
LIABILITIES	
Due to bondholders	$ 40,444

See independent auditors' report and notes to financial statements

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

A. Description of the Reporting Entity:

The City of Pico Rivera (the City) was incorporated in January 1958 under the general laws of the State of California. The City is a full-service city and operates under a Council-Manager form of government.

The Pico Rivera Redevelopment Agency (RDA) was established pursuant to the State of California Health and Safety Code, Section 33000 entitled Community Redevelopment Law. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the project area, as amended.

The Pico Rivera Public Financing Authority was formed for the purpose of purchasing bonds issued by the RDA for financing public capital improvements or projects whenever there are significant public benefits as determined by the RDA.

The Pico Rivera Water Authority was formed as a joint powers authority between the City and the RDA. Its purpose is to assist the City in its financing objectives by leasing and financing improvements to the City's water supply and distribution system.

The Pico Rivera Housing Assistance Agency was formed to provide safe and sanitary dwelling accommodations in the City to low and moderate - income individuals.

The criteria used in determining the scope of the reporting entity are based on the provisions of Government Accounting Standards Board (GASB) Statement 14. The City of Pico Rivera is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit provides a financial benefit or imposes a financial burden on the City. Separate financial statements of the Redevelopment Agency and Water Authority may be obtained at City Hall.

The RDA, Agency and Authorities have been accounted for as "blended" component units of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of the RDA, Agency and Authorities are reported within the funds of the City. The Water Authority is reported as an enterprise fund and the other component units as governmental funds.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Description of the Reporting Entity (Continued):

The following specific criteria were used in determining that the RDA, Agency and Authorities are blended component units.

- The members of the City Council also act as the governing body of the RDA, Agency and the Authorities.
- The RDA, Agency and Authorities are managed by employees of the City. A portion of the City's salary and overhead expenses are billed to the Agency each year.
- The City and RDA are financially interdependent. The City makes loans to the Agency to use for redevelopment purposes. Available property tax revenues of the Agency are used to repay the loans from the City.

The City's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

B. Government-wide and Fund Financial Statements:

The statement of net assets and statement activities (i.e., the government-wide financial statements) display information on all of the nonfiduciary activities of the primary government (the City) and its blended component units. Eliminations have been made to minimize the effect of interfund activity. These statements distinguish between the City's governmental and business-type activities. 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 charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the functions or programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

The City's only fiduciary fund financial statement is related to an Agency fund. Agency funds have no measurement focus and are reported on the accrual basis of accounting.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Under the modified accrual basis of accounting, 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, except for principal and interest on long-term liabilities, claims payable, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

Property taxes, taxpayer-assessed taxes, such as sales taxes, gas taxes, and transient occupancy taxes, 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.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the last is excluded from the government-wide financial statements.

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

Private sector standards of accounting and financial reporting issued prior to December 1 1989, are generally 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 City has elected not to follow subsequent private-sector guidance.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Agency Special Revenue Fund accounts for rental assistance expenditures incurred to assist very low and low income families in meeting their housing needs. Funds are provided by the U.S. Department of Housing and Urban Development.

The State Relinquishment Special Revenue Fund accounts for funds received from the California Department of Transportation for maintenance of Rosemead Boulevard.

The Debt Service Fund accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Improvement Capital Projects Fund accounts for all capital expenditures not being accounted for in the capital projects of the Redevelopment Agency, or in other fund types.

The Redevelopment Agency Capital Projects Fund accounts for the financial resources to be used for property acquisition, improvement, and rehabilitation within project areas authorized under provisions of the California Community Redevelopment Law.

The City reports the following major enterprise funds:

The Water Operations Fund accounts for the operation and maintenance of the City's water treatment, water transmission and distribution system.

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Governmental Funds (Continued):

Capital Projects Funds account for financial resources used for the acquisition or construction of major capital facilities.

Proprietary Funds:

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Fiduciary Funds:

The Agency Fund accounts for assets held by the City as an agent for bonded assessment districts.

D. Investments:

Investments are recorded at fair value (quoted market price or best available estimate thereof). Interest earned on cash and investments is credited to the fund, which holds the investment.

E. Property Taxes:

Property taxes include assessments on both secured and unsecured property. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments by December 10 and April 10. The County of Los Angeles bills and collects the property taxes and remits them to the City in installments during the year. The City records property taxes as revenue when received from the County, except for property taxes received within 60 days after fiscal year-end, which are accrued at June 30th.

The County is permitted by State Law (Article XIII A of the California Constitution) to levy taxes at one percent (1%) of full market value (at the time of purchase) and can increase the property's value at no more than two percent (2%) per year. The City receives a share of this basic levy.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Receivables:

Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year-end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. Earned but unbilled revenue is recognized as revenue and accounts receivable in the enterprise funds.

G. Interfund Transactions:

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and 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 noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". The principal portion of 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 available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs costs, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

H. Inventories and Prepaid Items:

Inventories are recorded as expenditures when consumed rather than when purchased. These inventories are valued at the lower of average cost or market and consist of expendable materials and supplies.

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.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Inventories and Prepaid Items (Continued):

Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance in governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

I. 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.

J. Capital Assets:

Capital assets, which include lands, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or fair market value (as of the date donated for contributed assets). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and structures	40 years
Improvements other than buildings	40 years
Furniture and equipment	Up to 25 years
Infrastructure	Up to 50 years

It is the City's policy to capitalize all land, building, improvements and equipment with an estimated useful life greater than one year, except assets costing less than $5,000, and to capitalize infrastructure assets costing $50,000 or more. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Capital Assets (Continued):

The City has elected to apply the transition provision for retroactive reporting of infrastructure assets. The statement of net assets includes all capitalized infrastructure expenditures for the year ended June 30, 2006. Infrastructure-related expenditures of the City prior to fiscal year ended June 30, 2003 are not included in the statement of net assets.

K. Land Held for Resale:

The City's Redevelopment Agency has acquired land in its project areas that is categorized as land held for resale. Such land is carried at the lower of acquisition cost or fair value.

L. Compensated Absences:

Employees accrue vacation, sick and holiday benefits. An employee may accumulate vacation time of up to 240 hours. Sick pay vests and may be accumulated up to 100 days. An employee with accumulated sick leave at the end of the fiscal year may elect to receive cash payment for earned sick leave up to 81 hours. The amount of sick leave paid is deducted from the employee's total accumulation.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Deferred Revenues:

Deferred revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them (e.g., when grant monies are received prior to the incurrence of qualifying expenditures).

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. 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 are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt using the straight-line method.

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.

O. Fund Balances:

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 plans by City Management for future use of financial resources.

P. Statement of Cash Flows:

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations.

Q. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2006 are classified in the accompanying financial statements as follows:

	Government-Wide Statement of Net Assets	Fiduciary Fund	Total
Cash and investments	$ 22,619,512	$ 35,159	$ 22,654,671
Cash and investments with fiscal agent	4,647,682	-	4,647,682
	$ 27,267,194	$ 35,159	$ 27,302,353

Cash and investments at June 30, 2006 consisted of the following:

Demand accounts	$ 591,471
Petty cash	4,900
Investments	26,705,982
Total cash and investments	$ 27,302,353

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

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

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the City's Investment Policy (Continued):

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years	40%	None
U.S. Government Sponsored Enterprise Securities	5 years	40%	None
Banker's Acceptances Notes	180 days	30%	15%
Commercial Paper	270 days	20%	None
Certificates of Deposits	5 years	None	None
Repurchase Agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$ 40,000,000

N/A - Not Applicable

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Banker's Acceptance, Money Market Mutual Funds, Investment Contracts and Repurchase Agreements. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

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

Investment Type	Remaining Maturity (in Months) 12 Months or Less
Local Agency Investment Fund	$ 22,058,300
Held by Bond Trustee:	
Money Market Mutual Funds	4,647,682
	$ 26,705,982

Disclosures Relating to Credit Risk:

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

Investment Type	Total as of June 30, 2006	Minimum Legal Rating	AAA	Unrated
Local Agency Investment Fund	$ 22,058,300	N/A	$ -	$ 22,058,300
Held By Bond Trustee:				
Money Market Mutual Funds	4,647,682	A	4,647,682	-
Total	$ 26,705,982		$ 4,647,682	$ 22,058,300

N/A - Not Applicable

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments. As of June 30, 2006, the City's deposits with financial institutions in excess of Federal Depository insurance limits are held in collateralized accounts. The City had no investments that are held by the safekeeping department of the broker-dealer (counterparty) used by the City to buy the securities.

Investment in Local Agency Investment Fund:

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. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

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

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Housing Agency Special Revenue Fund	$ 10,321
	Redevelopment Agency Capital Projects Fund	507,635
	Other Governmental Funds	2,624,300
	Water Enterprise Fund	74,943
	Other Enterprise Funds	912,553
State Relinquishment Special Revenue Fund	Redevelopment Agency Capital Projects Fund	568,821
Housing Agency Special Revenue Fund	General Fund	1,267
	Other Governmental Funds	3,476
		$ 4,703,316

The amounts loaned from the General Fund and the State Relinquishment Special Revenue Fund to the Other Governmental Funds and Other Enterprise Funds are short-term loans to fund operations of the various funds.

Advances To/From:

Receivable Fund	Payable Fund	Amount
General Fund	Redevelopment Agency Capital Projects Fund (1)	$ 23,521,995
	Other Enterprise Funds	2,437,591
Water Enterprise Fund	Debt Service Fund (2)	35,934,290
	Redevelopment Agency Capital Projects Fund	387,400
		$ 62,281,276

(1) The City has an agreement with the Pico Rivera Redevelopment Agency providing for the advance of funds to finance improvements and operations relating to and within the Agency's project areas. The Agency accrues interest on the original advances at a rate of 12% per annum. At June 30, 2006, the City has advanced $23,521,995 including accrued interest of $14,695,905, which is included in the advance balance.

See independent auditors' report.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Advances To/From (Continued):

(2) In January 2001, the Water Authority used the proceeds of its Revenue Bonds, Series 2001 issue (Note 6) to purchase the Redevelopment Agency's Tax Allocation Bonds, Series 2001 issue for $38,020,100, which was recorded by the Agency as advances from the Water Authority. Principal and interest payments on the advance are scheduled to cover and coincide with the Authority's debt service requirements on its Revenue Bonds, Series 2001. At June 30, 2006, the Water Authority's advances to the Redevelopment Agency amounted to $35,934,290 (including accrued interest of $222,454). The Agency's tax allocation refunding bonds are recorded as an advance from the Authority and the debt service requirements, which cover and coincide with the Authority's debt service requirements on its Revenue Bonds, Series 2001, are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 715,000	$ 2,644,425	$ 3,359,425
2008	765,000	2,592,625	3,357,625
2009	820,000	2,537,150	3,357,150
2010	880,000	2,477,650	3,357,650
2011	940,000	2,413,950	3,353,950
2012-2016	5,780,000	10,948,700	16,728,700
2017-2021	8,115,000	8,539,125	16,654,125
2022-2026	10,460,000	5,190,500	15,650,500
2027-2031	7,035,000	2,008,825	9,043,825
2032-2033	2,625,000	186,725	2,811,725
Total	$ 38,135,000	$ 39,539,675	$ 77,674,675

At June 30, 2006, the balance of the advance from the Water Authority to the Redevelopment Agency is comprised of the following:

Outstanding balance on revenue bonds	$ 38,135,000
Less: Unamortized revenue bond discount	(2,423,164)
Plus: Accrued unpaid interest	222,454
	$ 35,934,290

See independent auditors' report.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Transfers In/Out:

Transfer From	Transfer To	Amount
General	Capital Improvement Capital Projects Fund (1)	$ 301,054
	Other Governmental Funds (1)	444
State Relinquishment Special Revenue Fund	General Fund (4)	642,543
	Capital Improvement Capital Projects Fund (1)	16,271
Redevelopment Agency Capital Projects Fund	General Fund (4)	1,808,708
	Debt Service Funds (2)	1,266,127
	Other Governmental Funds (3)	145,452
Other Governmental Funds	General Fund (4)	2,265,507
	Capital Improvement Capital Projects Fund (1)	1,423,874
	Redevelopment Agency Capital Projects Fund (1)	162,500
	Other Governmental Funds (1)	204,524
Water Enterprise Fund	General Fund (4)	54,800
Other Enterprise Funds	General Fund (4)	159,725
		$ 8,451,529

Interfund transfers were principally used to (1) provide capital projects funds with the funding necessary to accomplish those projects approved by City Council, (2) to cover debt service payments, (3) to provide for matching requirement of HOME funds, and (4) reimburse the General Fund for expenditures.

4. LONG-TERM RECEIVABLES:

A. Loans receivable consist of low interest and no interest home improvement loans made from Community Development Block Grant Funds to qualified low-income homeowners. The low interest loans are payable in monthly installments over a period of 1 to 20 years. Those loans earning no interest are payable in one lump sum at the time the property is sold or refinanced. Payments received on these loans (principal and interest) are reloaned on a revolving basis under the home improvements program. Loans outstanding at June 30, 2006 totaled $320,996.

B. Low interest Home Improvement Loans were made under the City's Home Loan Program. These loans shall be due and payable in full when the borrower's legal interest in the property, which is security for the loan, is sold, transferred or conveyed. The balance at June 30, 2006 is $3,120,226.

C. Low interest down-payment assistance loans made under the City's Section 8 Program. These loans are due and payable in full when the borrower's legal interest in the property, which is security for the loan, is sold, transferred or conveyed. The balance at June 30, 2006 is $56,370.

D. Loans receivable consist of low interest home improvement loans made from CALHOME Grant Funds to low and moderate income homeowners. The loans are due and payable in full when the borrower's legal interest in the property, which is security for the loan, is sold, transferred or conveyed. The balance at June 30, 2006 is $94,728.

E. Two low-interest loans were issued by the Pico Rivera Redevelopment Agency for a commercial rehabilitation project. The loans bear interest rates from 1% to 3% and payments on these loans are to begin in ten to twenty-six years from the date of the loan. The amount of the loans outstanding at June 30, 2006 is $435,000.

F. Low interest commercial improvement loans were issued by the Redevelopment Agency for façade improvements. The loans are payable in monthly installments over a ten-year period. The balance of these loans at June 30, 2006 is $59,607.

G. Home Improvement Loans. The Pico Rivera Redevelopment Agency has provided a home improvement program to low and moderate income households. These loans are payable to the Agency in ten years or when borrower sells their property, whichever comes first. The total outstanding balance as of June 30, 2006 was $95,000.

H. A lease receivable is recorded in the City's Water Enterprise Fund. The lease is the remainder still due to the City from the sale of the Water Enterprise to the Water Authority. The Water Authority will pay off this lease from surplus revenues over the 50-year life of the lease ending April 1, 2049. Payments will vary with the level of surplus revenues. The balance of the lease at June 30, 2006 is $20,667,347. The lease receivable and capitalized lease obligation have been eliminated as internal balances in the statement of net assets.

5. CAPITAL ASSETS:

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

Governmental Activities:

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Capital assets, not being depreciated:				
Land	$ 2,459,160	$ -	$ -	$ 2,459,160
Construction in progress	1,011,995	2,205,166	(121,174)	3,095,987
Total capital assets, not being depreciated	3,471,155	2,205,166	(121,174)	5,555,147
Capital assets, being depreciated:				
Structures and improvements	21,665,536	31,029	-	21,696,565
Furniture and equipment	7,348,351	113,355	-	7,461,706
Infrastructure	10,584,892	229,373	-	10,814,265
Total capital assets, being depreciated	39,598,779	373,757	-	39,972,536
Less accumulated depreciation for:				
Structures and improvements	(4,459,686)	(290,649)	-	(4,750,335)
Furniture and equipment	(5,246,930)	(505,533)	-	(5,752,463)
Infrastructure	(11,280)	(273,521)	-	(284,801)
Total accumulated depreciation	(9,717,896)	(1,069,703)	-	(10,787,599)
Total capital assets, being depreciated, net	29,880,883	(695,946)	-	29,184,937
Governmental activities capital assets, net	$ 33,352,038	$ 1,509,220	$ (121,174)	$ 34,740,084

See independent auditors' report.

5. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued):

Depreciation expense was charged to functions of the governmental activities as follows:

General government	$ 481,799
Public safety	3,850
Public works	209,386
Parks and recreation	360,288
Community development	14,380
Total depreciation expense - governmental activities	$ 1,069,703

Business-type Activities:

	Water Operations Enterprise Fund	Other Enterprise Funds	Total
Land and water rights	$ 18,131,750	$ 43,075	$ 18,174,825
Structures and improvements	915,893	4,541,555	5,457,448
Utility plant in service	27,365,589	-	27,365,589
Equipment	257,352	969,797	1,227,149
Infrastructure	2,970,903	617,429	3,588,332
	49,641,487	6,171,856	55,813,343
Less accumulated depreciation	(3,050,061)	(3,947,494)	(6,997,555)
Business-type activities capital assets, net	$ 46,591,426	$ 2,224,362	$ 48,815,788

See independent auditors' report.

5. CAPITAL ASSETS (CONTINUED):

Business-type Activities (Continued):

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Capital assets, not being depreciated:				
Land	$ 18,174,825	$ -	$ -	$ 18,174,825
Capital assets, being depreciated				
Structures and improvements	5,457,448	-	-	5,457,448
Utility plant in service	27,365,589	-	-	27,365,589
Equipment	1,122,193	104,956	-	1,227,149
Infrastructure	3,588,332	-	-	3,588,332
Total capital assets, being depreciated	37,533,562	104,956	-	37,638,518
Less accumulated depreciation for:				
Structures and improvements	(2,565,764)	(126,756)	-	(2,692,520)
Utility plan in service	(2,135,306)	(367,048)	-	(2,502,354)
Equipment	(910,190)	(64,538)	-	(974,728)
Infrastructure	(763,031)	(64,922)	-	(827,953)
Total accumulated depreciation	(6,374,291)	(623,264)	-	(6,997,555)
Total capital assets, being depreciated, net	31,159,271	(518,308)	-	30,640,963
Business-type activities capital assets, net	$ 49,334,096	$ (518,308)	$ -	$ 48,815,788

See independent auditors' report.

5. CAPITAL ASSETS (CONTINUED):

Business-type Activities (Continued):

Depreciation expense was charged to functions of the business-type activities as follows:

Water Operations	$ 463,237
Sports Arena	31,484
Stables	10,702
Campground	48,918
Golf Course	68,923
Total depreciation expense- Business-type activities	$ 623,264

6. LONG-TERM LIABILITIES:

Changes in long-term liabilities activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
County deferral	$33,724,853	$ 1,600,287	$ -	$ 35,325,140	$ -
General obligation bonds	375,000	-	(375,000)	-	-
Section 108 loan	280,000	-	(280,000)	-	-
Compensated absences	702,819	-	(122,678)	580,141	58,014
Total	$35,082,672	$ 1,600,287	$ (777,678)	$ 35,905,281	$ 58,014
Business-type activities:					
Revenue bonds payable	$59,855,000	$ -	$(1,190,000)	$ 58,665,000	$ 1,255,000
Add (Less):					
Bond premium	949,952	-	(39,858)	910,094	-
Bond discount	(678,836)	-	26,708	(652,128)	-
Subtotal revenue bonds payable	60,126,116	-	(1,203,150)	58,922,966	1,255,000
Compensated absences	108,457	-	(1,241)	107,216	10,722
Total	$60,234,573	$ -	$(1,204,391)	$ 59,030,182	$ 1,265,722

See independent auditors' report.

6. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities:

A. County Deferral:

The Agency and County entered into an agreement whereby the County will defer their share of tax increment (County Deferral) generated within the project area and remit it to the Agency to meet the Agency's debt service obligations. The County Deferrals accrue simple interest of 5% starting February 2001. The County Deferrals are to be repaid with the excess of property tax revenues received by the Agency in excess of its debt payment requirements. The County Deferrals are recorded as revenue when received by the Agency. At June 30, 2006, the balance of the County Deferrals including interest was $35,325,140.

B. General Obligation Refunding Bonds:

The City of Pico Rivera issued general obligation refunding bonds to retire the aerospace sales tax rebate liability. Interest is payable semiannually on June 1 and December 1 at rates ranging from 5.00% to 6.20%. The remaining balance of the bonds was paid off during the fiscal year.

C. Section 108 Loan:

The City of Pico Rivera received Section 108 loan funds to assist with property acquisition and relocation costs associated with the development of a 12.4 acre site in the Redevelopment Project area of the City. The City has pledged its current and future Community Development Block Grant (CDBG) allocations for the repayment of the loan. Principal payments are due annually on August 1 and interest is payable semiannually on February 1 and August 1 at rates ranging from 5.87% to 7.13%. The remaining balance of the loans was paid off during the fiscal year.

D. Compensated Absences:

The City's policies relating to compensated absences are described in Note 1. The liability amounts of $580,141 at June 30, 2006 are expected to be paid in future years from future resources. The General Fund, typically, has been used in prior years to liquidate the liability for compensated absences.

6. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities:

E. Revenue Bonds and Capitalized Lease:

Revenue bonds were issued by the Pico Rivera Water Authority to finance the initial lease payment under the terms of a capital lease between the City and Water Authority (Note 4H) and to purchase the Redevelopment Agency's Tax Allocation Bonds (Note 3).

Revenue bonds currently outstanding (in thousands) are as follow:

Enterprise Fund	Series	Interest Rate	Original Amount	Outstanding Balance	Maturity Date	Revenue Pledged
Water Authority	1999A	3.25%-5.5%	$ 17,940	$ 17,345	May 2029	Water
Water Authority	1999B	6.00%-6.75%	5,520	3,570	May 2014	Water
Water Authority	2001	5.75%-6.25%	40,710	37,750	December 2032	Water
			$ 64,170	$ 58,665		

Water Authority Revenue Bonds, Series 1999 A and B

The Pico Rivera Water Authority issued $17,940,000 of Revenue Bonds (Series A) and $5,520,000 of Taxable Revenue Bonds (Series B) dated May 1, 1999. These Bonds were issued to finance the lease and improvements of the Water Enterprise.

The Series A bonds are due in whole or in part through May 2029 and bear an interest rate ranging from 3.25% to 5.5%. The Series B bonds are due through May 2014 and bear an interest rate ranging from 6.0% to 6.75%. Interest is payable semiannually on May 1 and November 1 of each year. The bonds are subject to optional redemption in whole or in part on any interest payment due on or after May 1, 2009, by lot, with premiums ranging from 0% to 2%.

The bond indenture requires a Water Rate Stabilization Fund to be held and maintained by the trustee for the benefit of the owners of the bonds. The Water Rate Stabilization Fund is required to have a balance of not less than $600,000. All funds in the Water Rate Stabilization Fund are pledged to secure payment of the bonds. The balance in the Water Rate Stabilization Fund at June 30, 2006 is $600,000.

6. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

E. Revenue Bonds and Capitalized Lease (Continued):

Water Authority Revenue Bonds, Series 1999 A and B (Continued)

Annual debt service for the 1999 Series A revenue bonds follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 95,000	$ 949,935	$ 1,044,935
2008	100,000	946,088	1,046,088
2009	105,000	941,938	1,046,938
2010	110,000	937,475	1,047,475
2011	115,000	931,425	1,046,425
2012-2016	1,895,000	4,522,375	6,417,375
2017-2021	4,555,000	3,630,275	8,185,275
2022-2026	5,955,000	2,231,900	8,186,900
2027-2029	4,415,000	494,174	4,909,174
	17,345,000	15,585,585	32,930,585
Add premium	910,094	-	910,094
Total	$ 18,255,094	$ 15,585,585	$ 33,840,679

Annual debt service for the 1999 Series B revenue bonds follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 355,000	$ 237,585	$ 592,585
2008	375,000	214,688	589,688
2009	400,000	190,500	590,500
2010	425,000	164,700	589,700
2011	455,000	136,012	591,012
2012	485,000	105,300	590,300
2013	520,000	72,563	592,563
2014	555,000	37,462	592,462
Total	$ 3,570,000	$ 1,158,810	$ 4,728,810

See independent auditors' report.

6. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

E. Revenue Bonds and Capitalized Lease (Continued):

Water Authority Revenue Bonds, Series 2001

On January 30, 2001, the Authority issued at a $796,798 discount, $40,710,000 in Revenue Bonds, 2001 Series. Proceeds of $38,020,100 were used to purchase 2001 Tax Allocation Refunding Bonds from the Agency, which in turn refunded its 1989 tax allocation bonds. The 2001 Series bonds are subject to optional redemption in whole or in part and by lot on any date on or after December 1, 2011 with premiums ranging form 0% to 2%. The bonds are due through December 1, 2032 with interest rates ranging from 5.75% to 6.25% per annum. The reserve fund requirement is equal to maximum annual debt service on the bonds, which is $3,134,763, less the entire amount in the Water Rate Stabilization Funds up to an amount equal to $600,000. The balance in the Reserve Account and in the Water Rate Stabilization Fund as of June 30, 2006 amounted to $2,586,584 and $600,000, respectively.

It is the opinion of management that the City and Water Authority have complied with all major aspects of the bonds' covenants and loan agreements for fiscal year ended June 30, 2006.

Annual debt service for the 2001 Series revenue bonds follows:

Year Ending June 30,	Principal	Interest	Total
2007	$ 805,000	$ 2,302,631	$ 3,107,631
2008	855,000	2,254,906	3,109,906
2009	900,000	2,204,450	3,104,450
2010	955,000	2,151,119	3,106,119
2011	1,010,000	2,094,625	3,104,625
2012-2016	6,005,000	9,477,144	15,482,144
2017-2021	8,105,000	7,301,406	15,406,406
2022-2026	10,135,000	4,366,406	14,501,406
2027-2031	6,610,000	1,642,813	8,252,813
2032-2033	2,370,000	150,313	2,520,313
	37,750,000	33,945,813	71,695,813
Less discount	(652,128)	-	(652,128)
Total	$ 37,097,872	$ 33,945,813	$ 71,043,685

See independent auditors' report.

6. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

F. Compensated Absences:

The City's policies relating to compensated absences are described in Note 1. The liability amounts of $107,216 at June 30, 2006 are expected to be paid in future years from future resources.

7. COMMITMENTS AND CONTINGENCIES:

A. In 2002, the City of Pico Rivera (the City) and the Pico Rivera Redevelopment Agency (the Agency) entered into separate agreements with a developer and a retail establishment in connection with the occupancy of the retail establishment in the Pico Rivera Towne Center. The agreements require the City and the Agency to pay the developer and the retail establishment approximately $2,240,000 over the initial 15 year lease term. As of June 30, 2006, 12 years remain of the initial lease term. During the year $160,000 has been paid by the City and the Agency pursuant to these agreements.

B. In prior years, the Public Financing Authority and the Redevelopment Agency have defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2006, the 1976 Leasehold Mortgage bond issue, which is considered defeased, has an outstanding balance of $833,700.

C. The City and Agency entered into an agreement whereby the City will defer its' portion of sales tax revenues (City Deferral) generated within the project area and advance the monies to the Agency, to allow the Agency to meet its debt service obligations. The City deferrals accrue interest at 7%. At June 30, 2006, the balance of the City Deferrals including interest was $20,696,039.

8. RETIREMENT PLAN:

A. Plan Description: (PERS):

The City of Pico Rivera 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 its executive office: 400 P Street, Sacramento, CA 95814.

B. Funding Policy:

Participants are required to contribute 7% of their annual covered salary. In August of 2002, the City changed its Plan to 2.5%@55 resulting in a 1% increase in contributions to 8% of 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 5.129% for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

C. Annual Pension Cost:

For the year ended June 30, 2006, the City's annual pension cost of $2,110,348 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, ranging from 3.25% to 14.45% and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003, for the unfunded liability is 17 years.

8. RETIREMENT PLAN (CONTINUED):

C. Annual Pension Cost (Continued):

Three Year Trend Information for PERS ($ Amount in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligations
6/30/04	$ 1,262	100%	$ -
6/30/05	1,877	100%	-
6/30/06	2,110	100%	-

Schedule of Funding Progress for PERS ($ Amount in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded (Excess Assets) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
6/30/03	$ 33,690	$ 38,959	$ 5,269	86.5 %	$ 9,586	55.0 %
6/30/04	36,336	43,100	6,764	84.3 %	9,643	70.1 %
6/30/05	40,208	47,629	7,421	84.4 %	9,369	79.2 %

D. Defined Contribution Pension Plan (PARS):

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the Public Agency Retirement System (PARS). All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2006, the City's payroll covered by the plan was $2,597,802. The City made employer contributions of $97,677 (3.76% of current covered payroll), and employees contributed $97,393 (3.75% of current covered payroll).

See independent auditors' report.

8. RETIREMENT PLAN (CONTINUED):

D. Defined Contribution Pension Plan (PARS) (Continued):

On July 1, 2002, the City started providing retirement benefits to its City Council members through a defined contribution plan. Council members can participate in the plan provided they have met all the eligibility requirements. The City contributes 1/12 of a certain percentage of the members final pay based on years of service, as follows:

Number of Years of Service	Percentage of Final Pay
5	20%
6	24%
7	28%
8	32%
9	36%
10	40%

For the year ended June 30, 2006 the City contributed a total $12,436 to the City Council members' defined contribution plan.

9. POST-EMPLOYMENT BENEFITS:

The City provides health care insurance benefits for its employees who retire subsequent to October 1, 1983. The City pays 100 percent of the premium for the retirees employed by the City ten years or more and have attained the age of 50. The City's obligation to pay full medical costs relates only to those medical coverage costs provided through PERS. It does not mean that the City is obligated to pay Medicare Part B premiums for those retirees who are age 65 or above and who are enrolled in a Supplemental Medicare plan. When the retiree reaches age 65, the Basic Medical Plan is required to be transferred to a Supplemental Medicare Plan.

The cost of retiree health care insurance benefits is recognized as an expenditure as insurance premiums are paid on a monthly basis, one month in advance. For the fiscal year ended June 30, 2006, those costs totaled $553,701. 83 employees were affected by the provisions of these benefits at the end of the 2005/06 fiscal year.

10. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are under the participants control and are principally invested in demand deposits and mutual funds and are held in trust for the exclusive benefit of the participants and their beneficiaries. At June 30, 2006, the amount held by trustee for employees is $246,751.

11. NON-CITY OBLIGATION DEBT SPECIAL ASSESSMENT BONDS:

During the year ended June 30, 1996, Assessment District 95-1 was established by the City of Pico Rivera. Bonds were issued to finance the cost of various improvements, which have a special and direct benefit to the related property owners. Under the terms and conditions of these bonds, the City acts as agent for the property owners in collecting the special taxes and forwarding the collections to the bondholders. As of June 30, 2006, the bonds outstanding from this Assessment District total $170,000.

Such bonds do not constitute an indebtedness of the City and are payable solely from special taxes collected from property owners within the District. In the opinion of the City officials, these bonds are not payable from any revenues or assets of the City and neither the full faith and credit nor the taxing authority of the City is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded.

12. INSURANCE PROGRAM:

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement:

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 109 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

12. INSURANCE PROGRAM (CONTINUED):

B. Self-Insurance Programs of the Authority:

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first $30,000 of each occurrence is charged directly to the member; costs from $30,001 to $750,000 are pooled based on a member's share of costs under $30,000; costs from $750,001 to $10,000,000 are pooled based on payroll. Costs of covered claims above $10,000,000 are currently paid by extra insurance. The protection for each member is $50,000,0000 per occurrence and $50,000,000 annual aggregate.

Workers' Compensation - The City also participates in the workers' compensation pool administered by the Authority. Members retain the first $50,000 of each claim. Losses from $50,000 to $100,000 per claim are pooled based on the member's share of losses under $50,000. Losses from $100,000 to $2,000,000 are pooled based on payroll. Losses from $2,000,000 to $150,000,000 are transferred to an excess insurance policy. Losses in excess of $150,000,000 are pooled by the members based on payroll.

C. Purchased Insurance:

Property Insurance - The City of Pico Rivera participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is $28,000,000. There is a $5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The City of Pico Rivera purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City properties currently have earthquake protection in the amount of $27,000,000. There is a deductible of 5% of value with a minimum deductible of $100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

12. INSURANCE PROGRAM (CONTINUED):

C. Purchased Insurance (Continued):

Fidelity Bonds - The City of Pico Rivera purchases blanket fidelity bond coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Environmental Liability Insurance - The City of Pico Rivera participates in the pollution legal liability and remediation legal liability insurance, which is available through the Authority. the policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a $50,000 deductible. The Authority has a limit of $50,000 for the 3-year period from July 1, 2005 through June 30 2008. Each member of the Authority has a $10,000,000 limit during the 3-year term of the policy.

D. Adequacy of Protection:

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year, with the exception of the environmental insurance coverage, which has been decreased from $120,000,000 to $50,000,000.

13. FUND BALANCE RESERVES:

A city may establish "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific purpose.

The City's reserves at June 30, 2006 are tabulated below, followed by explanations as to the nature and purpose of each reserve.

	General Fund	Debt Service Fund	Redevelopment Agency Capital Projects Fund
Prepaids and deposits	$ 105,017	$ -	$ -
Advances to other funds	9,751,361	-	-
Low and moderate income housing	-	-	1,460,084
Debt service	-	84,738	-
Land held for resale	-	-	587,610
Long-term receivables	-	-	6,670
Total Reserves	$ 9,856,378	$ 84,738	$ 2,054,364

See independent auditors' report.

13. FUND BALANCE RESERVES (CONTINUED):

A. Reserved for Prepaids and Deposits:

This is a reserve to reflect that prepaids and deposits are not "available" as a spendable resource.

B. Reserved for Advances to Other Funds:

This is a reserve to reflect the principal portion of the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.

C. Reserved for Low and Moderate Income Housing:

These funds represent that portion of redevelopment tax increment revenue that must be set aside for housing programs.

D. Reserved for Debt Service:

These are reserves representing assets held by various trustees pursuant to bond covenants.

E. Reserved for Land Held for Resale:

This is a reserve to reflect that land held for resale by the Redevelopment Agency is not "available" as a spendable resource.

F. Reserved for Long-term Receivables:

This is a reserve to reflect that long-term receivables that are not already offset by deferred revenue are not "available" as a spendable resource.

14. OTHER REQUIRED DISCLOSURES:

Expenditures in Excess of Appropriations:

The following departments/funds reported expenditures in excess of appropriations:

Major Funds:	
General Fund:	
Public Works	$ 279,650
State Relinquishment Special Revenue Fund	3,857
Debt Service Fund	648,862
Capital Improvement Capital Projects Fund	135,201
Other Governmental Funds:	
Special Revenue Funds:	
State Gas Tax	17
Park Development	15
Prop C	430
Sewer	336
Air Quality Improvement	7
Economic Development Assistance Grant	1,450
Image Enhancement	841
Miscellaneous Grant	539,868
Capital Projects Fund:	
Paramount/Mines Landscape Maintenance Assessment	4,399

Deficit Fund Balances/Net Assets:

The following funds reported deficits fund balances/net assets at June 30, 2006:

Major Funds:	
Debt Service Fund	$ 35,521,363
Capital Improvement Capital Projects Fund	8,106
Redevelopment Agency Capital Projects Fund	22,637,568

See independent auditors' report.

14. OTHER REQUIRED DISCLOSURES (CONTINUED):

Deficit Fund Balances/Net Assets (Continued):

Other Governmental Funds:		
Special Revenue Funds:		
CALHOME Grant	$	45,780
County Grants		167,318
EPA Sewer Grant		9,367
Urban Park and Recreation Recovery Program		11,690
Prop 12 Park		591,931
Intermodal Surface Transportation Efficiency Act		109,608
State Park		855,392
Miscellaneous Grant		539,993
Capital Projects Funds:		
Flossmoor Road Sewer Assessment District		50,023
Paramount/Mines Landscape Maintenance Assessment		142,265
Other Enterprise Funds:		
Stables		244,619
Campground		416,820
Golf Course		724,935

Management expects to eliminate the deficits with subsequent revenues or transfers from the General Fund.

15. SUBSEQUENT EVENT:

In August 2006, the City received additional County Deferral amounting to $1.24 million (Note 6A). This resulted in an increase in the total outstanding deferral from the County of Los Angeles to approximately $36.56 million.

See independent auditors' report.

CITY OF PICO RIVERA
REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
AND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PICO RIVERA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes and assessment	$ 10,886,600	$ 10,886,600	$ 13,495,255	$ 2,608,655
Licenses and permits	2,782,300	2,782,300	2,942,873	160,573
Intergovernmental	3,560,000	3,560,000	5,071,296	1,511,296
Charges for services	948,500	948,500	1,056,567	108,067
Fines, forfeitures and penalties	890,000	890,000	1,164,730	274,730
Investment and rental	283,700	283,700	118,328	(165,372)
Miscellaneous	686,700	686,700	267,739	(418,961)
TOTAL REVENUES	20,037,800	20,037,800	24,116,788	4,078,988
EXPENDITURES:				
Current:				
General government	9,460,600	9,366,000	9,180,362	185,638
Public safety	8,455,000	8,665,700	8,112,907	552,793
Public works	4,452,500	5,471,650	5,751,300	(279,650)
Parks and recreation	2,823,600	2,843,600	2,718,074	125,526
Debt service:				
Principal retirement	375,000	375,000	375,000	-
Interest and fiscal charges	17,300	17,300	11,840	5,460
TOTAL EXPENDITURES	25,584,000	26,739,250	26,149,483	589,767
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,546,200)	(6,701,450)	(2,032,695)	4,668,755
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	156,156	156,156
Transfers in	5,266,800	6,208,800	4,931,283	(1,277,517)
Transfers out	-	-	(301,498)	(301,498)
TOTAL OTHER FINANCING SOURCES (USES)	5,266,800	6,208,800	4,785,941	(1,422,859)
NET CHANGE IN FUND BALANCE	(279,400)	(492,650)	2,753,246	3,245,896
FUND BALANCE - BEGINNING OF YEAR	9,971,839	9,971,839	9,971,839	-
FUND BALANCE - END OF YEAR	$ 9,692,439	$ 9,479,189	$ 12,725,085	$ 3,245,896

See independent auditors' report and note to required supplementary information.

CITY OF PICO RIVERA

BUDGETARY COMPARISON SCHEDULE

HOUSING AGENCY SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 4,445,000	$ 4,445,000	$ 4,529,204	$ 84,204
Investment and rental	2,000	2,000	17,396	15,396
Miscellaneous	2,800	2,800	21,804	19,004
TOTAL REVENUES	4,449,800	4,449,800	4,568,404	118,604
EXPENDITURES:				
Current:				
Health and welfare	4,580,300	4,580,300	4,189,637	390,663
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(130,500)	(130,500)	378,767	509,267
FUND BALANCE - BEGINNING OF YEAR	409,866	409,866	409,866	-
FUND BALANCE - END OF YEAR	$ 279,366	$ 279,366	$ 788,633	$ 509,267

See independent auditors' report and note to required supplementary information.

CITY OF PICO RIVERA

BUDGETARY COMPARISON SCHEDULE

STATE RELINQUISHMENT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment and rental	$ -	$ -	$ 218,023	$ 218,023
Miscellaneous revenue	2,800,000	2,800,000	2,874,000	74,000
TOTAL REVENUES	2,800,000	2,800,000	3,092,023	292,023
EXPENDITURES:				
Current:				
Public works	-	-	3,857	(3,857)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,800,000	2,800,000	3,088,166	288,166
OTHER FINANCING USES:				
Transfers out	-	(1,983,000)	(658,814)	1,324,186
NET CHANGE IN FUND BALANCE	2,800,000	817,000	2,429,352	1,612,352
FUND BALANCE - BEGINNING OF YEAR	5,468,384	5,468,384	5,468,384	-
FUND BALANCE - END OF YEAR	$ 8,268,384	$ 6,285,384	$ 7,897,736	$ 1,612,352

See independent auditors' report and note to required supplementary information.

CITY OF PICO RIVERA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

1. BUDGETARY CONTROL AND ACCOUNTING:

The City adopts annual budgets for governmental funds on a basis that is the same as accounting principles generally accepted in the United States of America except for capital projects funds, which adopt project length budgets.

The City's budget is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled.

The following procedures establish the budgetary data reflected in the financial statements:

The budget is prepared under the City Manager's direction and adopted by the City Council, generally prior to June 30 of each year. It is revised periodically during the year by the City Council. The budget presented in the financial statements includes the original and final amounts. The budget serves as a policy document for the deliverance of public services; however, expenditures are individually approved by the City Council. The City manager is authorized to transfer amounts within individual fund budgets without the approval of City Council. Additional appropriations during the year may be submitted to the City Council for review and approval.

Budget information is presented for the governmental fund types. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year, which were contingent upon new, or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. The budgets conform, in all material respects, to accounting principles generally accepted in the United States of America. Appropriations lapse at year-end.

Budgetary compliance is monitored without the use of encumbrances.

Budget information for the Urban Park and Recreation Program Special Revenue Fund, the ISTEA Special Revenue Fund and the Federal Emergency Management Agency Special Revenue Fund are not presented since no budget was adopted for these funds.

See independent auditors' report.

CITY OF PICO RIVERA
SUPPLEMENTARY INFORMATION

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CITY OF PICO RIVERA
OTHER MAJOR FUNDS

BUDGETARY COMPARISON SCHEDULES

CITY OF PICO RIVERA

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes and assessment	$ 5,400,000	$ 5,400,000	$ 6,649,379	$ 1,249,379
Investment and rental	6,000	6,000	28,774	22,774
TOTAL REVENUES	5,406,000	5,406,000	6,678,153	1,272,153
EXPENDITURES:				
Current:				
General government	-	-	83,542	(83,542)
Pass through to other agencies	3,140,000	3,140,000	4,280,086	(1,140,086)
Debt service:				
Interest and fiscal charges	3,363,000	3,363,000	2,788,234	574,766
TOTAL EXPENDITURES	6,503,000	6,503,000	7,151,862	(648,862)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,097,000)	(1,097,000)	(473,709)	623,291
OTHER FINANCING SOURCES:				
Transfers in	1,030,000	1,030,000	1,266,127	236,127
NET CHANGE IN FUND BALANCE	(67,000)	(67,000)	792,418	859,418
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(36,313,781)	(36,313,781)	(36,313,781)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (36,380,781)	$ (36,380,781)	$ (35,521,363)	$ 859,418

See independent auditors' report.

CITY OF PICO RIVERA

BUDGETARY COMPARISON SCHEDULE

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Miscellaneous	$ -	$ 65,000	$ -	$ (65,000)
EXPENDITURES:				
Capital outlay	742,000	1,575,800	1,711,001	(135,201)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(742,000)	(1,510,800)	(1,711,001)	(200,201)
OTHER FINANCING SOURCES:				
Transfers in	742,000	656,600	1,741,199	1,084,599
NET CHANGE IN FUND BALANCE	-	(854,200)	30,198	884,398
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(38,304)	(38,304)	(38,304)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (38,304)	$ (892,504)	$ (8,106)	$ 884,398

See independent auditors' report.

CITY OF PICO RIVERA

BUDGETARY COMPARISON SCHEDULE

PICO RIVERA REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes and assessment	$ 3,100,000	$ 3,100,000	$ 3,125,494	$ 25,494
Investment and rental	18,000	18,000	57,137	39,137
Miscellaneous	525,000	525,000	50,638	(474,362)
TOTAL REVENUES	3,643,000	3,643,000	3,233,269	(409,731)
EXPENDITURES:				
Current:				
General government	298,724	734,700	319,467	415,233
Community development	428,976	428,976	605,302	(176,326)
Debt service:				
Interest and fiscal charges	1,025,200	1,025,200	1,013,266	11,934
TOTAL EXPENDITURES	1,752,900	2,188,876	1,938,035	250,841
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,890,100	1,454,124	1,295,234	(158,890)
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	1,709,000	1,709,000	-	(1,709,000)
Transfers in	160,000	160,000	162,500	2,500
Transfers out	(3,834,800)	(3,834,832)	(3,220,287)	614,545
TOTAL OTHER FINANCING SOURCES (USES)	(1,965,800)	(1,965,832)	(3,057,787)	(1,091,955)
NET CHANGE IN FUND BALANCE	(75,700)	(511,708)	(1,762,553)	(1,250,845)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(20,875,015)	(20,875,015)	(20,875,015)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (20,950,715)	$ (21,386,723)	$ (22,637,568)	$ (1,250,845)

See independent auditors' report.

CITY OF PICO RIVERA

DESCRIPTION OF OTHER GOVERNMENTAL FUNDS

June 30, 2006

SPECIAL REVENUE FUNDS

Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes. Special Revenue Funds include the following:

Community Development Block Grant Fund accounts for funds received from the U.S. Department of Housing and Urban Development for the purpose of Housing Rehabilitation, Social Services and qualified capital improvements.

Equipment Replacement Fund accounts for expenditures made for the purpose of purchasing equipment to replace obsolete, broken or other items in which it is economically unfeasible to continue repairing.

State Gas Tax Fund accounts for the City's proportionate share of gas tax monies collected by the State of California, which are used for street construction and maintenance.

Lighting Assessment District Fund accounts for monies received for lighting services deemed to benefit the properties and businesses against which the special benefit assessments are levied. The assessments are levied once a year and are collected by the Los Angles County Tax Collector and remitted to the City.

Park Development Fund accounts for funds received on new residential construction for the purpose of improving and/or developing the City's park system.

Prop A Fund accounts for the ½% sales tax approved by Prop. A in Los Angeles County which is restricted for transportation programs and projects.

Prop C Fund accounts for the ½% sales tax approved by Prop. C which is restricted for transportation programs and projects.

Sewer Fund accounts for monies to be used for the reconstruction of the public sewer system.

CALHOME Grant Fund accounts for funds received from the State of California for the purpose of providing home rehabilitation loans.

SPECIAL REVENUE FUNDS (CONTINUED)

Air Quality Improvement Fund accounts for the additional vehicle registration fees received from the Southern California Air Quality Management District for the purpose of air pollution reduction.

State Grants Fund accounts for the various State of California grants that are restricted to expenditures for specific programs and projects.

County Grants Fund accounts for various Los Angeles County grants that are received for restricted expenditures for specific programs and projects.

EPA Sewer Grant Fund accounts for funds received from the United States government to repair and upgrade the sewage system for the wastewater treatment project.

Urban Park and Recreation Recovery Program Fund accounts for funds received from the State of California for purposes of park rehabilitation.

Economic Development Assistance (EDA) Grant Fund provides meaningful assistance, on a cost-shared basis, to economic growth. It also accounts for funds received from the companies developing the Pico Rivera Towne Center, under the terms of the improvement and reimbursement agreements with the Redevelopment Agency.

Prop 12 Park Fund accounts for funds received from the State of California to improve local parks.

Pedestrian Safety Program Fund accounts for funds received from the State of California for the installation of approximately 33,400 linear feet of 4 feet wide sidewalk serving Magee and South Ranchito Schools.

Federal Emergency Management Agency (FEMA) Fund accounts for seismically related retrofit construction.

Intermodal Surface Transportation Efficiency Act (ISTEA) Fund accounts for the costs of improvements or street construction on the federal highway system in the City.

State Park Fund accounts for funds received from the State of California to improve local parks.

Image Enhancement Fund accounts for funds received from all developers for the enhancement of the image of the City of Pico Rivera.

SPECIAL REVENUE FUNDS (CONTINUED)

Reach Grants Fund accounts for funds received from the State of California for our after school learning program.

Miscellaneous Grant Fund accounts for funds received from multiple sources and reasons.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources used for the acquisition or construction of major capital facilities. Capital Projects Funds include the following:

Assessment District 95-1 Improvement Fund accounts for monies received for the purpose of improving and rehabilitating the streets located within the Assessment District. Funds are annually assessed to each respective property owner by the Los Angeles County Tax Collector and remitted to the City.

Flossmoor Road Sewer Assessment District Fund accounts for funds received for the installation of sewers deemed to benefit the properties against which the special benefit assessments are levied.

Paramount/Mines Landscape Maintenance Assessment Fund accounts for funds received for the installation and maintenance of common areas deemed to benefit the properties against which the special benefit assessments are levied.

CITY OF PICO RIVERA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2006

	Special Revenue Funds		
	Community Development Block Grant	Equipment Replacement	State Gas Tax
ASSETS			
Cash and investments	$ 623,299	$ 819,224	$ 215,742
Accounts receivable	130,173	-	197,513
Taxes receivable	-	-	-
Interest receivable	328,159	7,462	2,216
Long-term receivables	3,441,222	-	-
TOTAL ASSETS	$ 4,522,853	$ 826,686	$ 415,471
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 9,050	$ 63,832	$ 7
Accrued liabilities	3,782	-	-
Due to other funds	-	-	-
Deferred revenue	3,769,537	-	-
TOTAL LIABILITIES	3,782,369	63,832	7
FUND BALANCES (DEFICITS):			
Unreserved reported in:			
Special revenue funds	740,484	762,854	415,464
Capital projects funds	-	-	-
TOTAL FUND BALANCES (DEFICITS)	740,484	762,854	415,464
TOTAL LIABILITIES AND FUND BALANCES	$ 4,522,853	$ 826,686	$ 415,471

See independent auditors' report.

Special Revenue Funds (Continued)

Lighting Assessment District	Park Development	Prop A	Prop C	Sewer	CALHOME Grant
$ 851,857	$ 29,475	$ 666,641	$ 3,372,521	$ 664,417	$ -
-	-	-	88,123	-	-
91,237	-	-	-	-	-
8,050	260	5,367	36,994	5,826	1,408
-	-	-	-	-	94,728
				-	
$ 951,144	$ 29,735	$ 672,008	$ 3,497,638	$ 670,243	$ 96,136
$ 51,989	$ 1	$ 137,049	$ 118	$ 18	$ -
-	-	-	-	-	-
-	-	-	-	-	45,780
-	-	-	-	-	96,136
51,989	1	137,049	118	18	141,916
899,155	29,734	534,959	3,497,520	670,225	(45,780)
-	-	-	-	-	-
899,155	29,734	534,959	3,497,520	670,225	(45,780)
$ 951,144	$ 29,735	$ 672,008	$ 3,497,638	$ 670,243	$ 96,136

(Continued)

CITY OF PICO RIVERA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2006

	Special Revenue Funds (Continued)	
	Air Quality Improvement	State Grants
ASSETS		
Cash and investments	$ 2,430	$ 33,596
Accounts receivable	-	18,820
Taxes receivable	-	-
Interest receivable	432	321
Long-term receivables	-	-
TOTAL ASSETS	$ 2,862	$ 52,737
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ 1	$ 1
Accrued liabilities	-	-
Due to other funds	-	-
Deferred revenue	-	-
TOTAL LIABILITIES	1	1
FUND BALANCES (DEFICITS):		
Unreserved reported in:		
Special revenue funds	2,861	52,736
Capital projects funds	-	-
TOTAL FUND BALANCES (DEFICITS)	2,861	52,736
TOTAL LIABILITIES AND FUND BALANCES	$ 2,862	$ 52,737

See independent auditors' report.

Special Revenue Funds (Continued)

County Grants	EPA Sewer Grant	Urban Park and Recreation Recovery Program	Economic Development Assistance Grant	Prop 12 Park	Pedestrian Safety Program
$ -	$ -	$ -	$ 2,241,468	$ -	$ -
-	-	-	916,118	102,400	-
-	-	-	-	-	-
-	-	-	46,616	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ 3,204,202	$ 102,400	$ -
$ -	$ -	$ -	$ 78	$ -	$ -
-	-	-	-	-	-
167,318	9,367	11,690	-	694,331	-
-	-	-	938,221	-	-
167,318	9,367	11,690	938,299	694,331	-
(167,318)	(9,367)	(11,690)	2,265,903	(591,931)	-
-	-	-	-	-	-
(167,318)	(9,367)	(11,690)	2,265,903	(591,931)	-
$ -	$ -	$ -	$ 3,204,202	$ 102,400	$ -

(Continued)

CITY OF PICO RIVERA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2006

	Special Revenue Funds (Continued)	
	Federal Emergency Management Agency	Intermodal Surface Transportation Efficiency Act
ASSETS		
Cash and investments	$ 65,275	$ -
Accounts receivable	-	-
Taxes receivable	-	-
Interest receivable	-	-
Long-term receivables	-	-
TOTAL ASSETS	$ 65,275	$ -
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ -	$ -
Accrued liabilities	-	-
Due to other funds	-	109,608
Deferred revenue	-	-
TOTAL LIABILITIES	-	109,608
FUND BALANCES (DEFICITS):		
Unreserved reported in:		
Special revenue funds	65,275	(109,608)
Capital projects funds	-	-
TOTAL FUND BALANCES (DEFICITS)	65,275	(109,608)
TOTAL LIABILITIES AND FUND BALANCES	$ 65,275	$ -

See independent auditors' report.

Special Revenue Funds (Continued)

State Park	Image Enhancement	Reach Grants	Miscellaneous Grant	Total Special Revenue Funds
$ -	$ 1,831,822	$ 313,748	$ -	$ 11,731,515
-	-	112,700	-	1,565,847
-	-	-	-	91,237
-	16,111	-	-	459,222
-	-	-	-	3,535,950
$ -	$ 1,847,933	$ 426,448	$ -	$ 17,383,771
$ -	$ 51	$ 19,083	$ -	$ 281,278
-	-	2,247	-	6,029
855,392	-	-	539,993	2,433,479
-	-	-	-	4,803,894
855,392	51	21,330	539,993	7,524,680
(855,392)	1,847,882	405,118	(539,993)	9,859,091
-	-	-	-	-
(855,392)	1,847,882	405,118	(539,993)	9,859,091
$ -	$ 1,847,933	$ 426,448	$ -	$ 17,383,771

(Continued)

CITY OF PICO RIVERA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2006

	Capital Projects Funds	
	Assessment District 95-1 Improvement	Flossmoor Road Sewer Assessment District
ASSETS		
Cash and investments	$ 3,619	$ -
Accounts receivable	-	-
Taxes receivable	-	2,009
Interest receivable	358	-
Long-term receivables	-	-
TOTAL ASSETS	$ 3,977	$ 2,009
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ -	$ -
Accrued liabilities	-	-
Due to other funds	-	52,032
Deferred revenue	-	-
TOTAL LIABILITIES	-	52,032
FUND BALANCES (DEFICITS):		
Unreserved reported in:		
Special revenue funds	-	-
Capital projects funds	3,977	(50,023)
TOTAL FUND BALANCES (DEFICITS)	3,977	(50,023)
TOTAL LIABILITIES AND FUND BALANCES	$ 3,977	$ 2,009

See independent auditors' report.

Capital Projects (Continued)		
Paramount/Mines Landscape Maintenance Assessment	Total Capital Projects Funds	Total Other Governmental Funds
$ -	$ 3,619	$ 11,735,134
-	-	1,565,847
-	2,009	93,246
-	358	459,580
-	-	3,535,950
$ -	$ 5,986	$ 17,389,757
$ -	$ -	$ 281,278
-	-	6,029
142,265	194,297	2,627,776
-	-	4,803,894
142,265	194,297	7,718,977
-	-	9,859,091
(142,265)	(188,311)	(188,311)
(142,265)	(188,311)	9,670,780
$ -	$ 5,986	$ 17,389,757

CITY OF PICO RIVERA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2006

	Special Revenue Funds		
	Community Development Block Grant	Equipment Replacement	State Gas Tax
REVENUES:			
Taxes and assessments	$ -	$ -	$ -
Intergovernmental	1,207,699	-	1,208,779
Charges for services	-	-	-
Investment and rental	71,750	24,031	4,044
Miscellaneous	527,326	-	299,994
TOTAL REVENUES	1,806,775	24,031	1,512,817
EXPENDITURES:			
Current:			
General government	-	5,148	-
Public works	-	-	17
Parks and recreation	-	-	-
Health and welfare	-	-	-
Community development	1,056,475	-	-
Capital outlay	-	152,170	-
Debt service:			
Principal retirement	280,000	-	-
Interest and fiscal charges	8,974	-	-
TOTAL EXPENDITURES	1,345,449	157,318	17
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	461,326	(133,287)	1,512,800
OTHER FINANCING SOURCES (USES):			
Transfers in	145,452	-	-
Transfers out	(20,000)	-	(1,209,939)
TOTAL OTHER FINANCING SOURCES (USES)	125,452	-	(1,209,939)
NET CHANGE IN FUND BALANCES	586,778	(133,287)	302,861
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	153,706	896,141	112,603
FUND BALANCES (DEFICITS) - END OF YEAR	$ 740,484	$ 762,854	$ 415,464

See independent auditors' report.

Special Revenue Funds (Continued)

Lighting Assessment District	Park Development	Prop A	Prop C	Sewer	CALHOME Grant
$ 1,142,574	$ -	$ -	$ -	$ -	$ -
-	-	1,077,240	1,013,387	-	49,025
-	200	-	-	8,440	-
18,496	807	15,313	116,460	18,215	-
-	-	15,748	-	-	-
1,161,070	1,007	1,108,301	1,129,847	26,655	49,025
-	-	-	-	-	-
506,491	-	807,411	9,130	336	-
-	15	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	94,805
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
506,491	15	807,411	9,130	336	94,805
-					
654,579	992	300,890	1,120,717	26,319	(45,780)
-	-	-	-	-	-
(250,706)	-	(186,600)	(1,524,882)	(17,566)	-
(250,706)	-	(186,600)	(1,524,882)	(17,566)	-
403,873	992	114,290	(404,165)	8,753	(45,780)
495,282	28,742	420,669	3,901,685	661,472	-
$ 899,155	$ 29,734	$ 534,959	$ 3,497,520	$ 670,225	$ (45,780)

(Continued)

CITY OF PICO RIVERA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2006

	Special Revenue Funds (Continued)	
	Air Quality Improvement	State Grants
REVENUES:		
Taxes and assessments	$ -	$ -
Intergovernmental	81,040	37,072
Charges for services	-	-
Investment and rental	1,085	1,006
Miscellaneous	-	-
TOTAL REVENUES	82,125	38,078
EXPENDITURES:		
Current:		
General government	-	-
Public works	-	-
Parks and recreation	-	-
Health and welfare	-	6,501
Community development	7	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	7	6,501
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	82,118	31,577
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(80,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	-
NET CHANGE IN FUND BALANCES	2,118	31,577
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	743	21,159
FUND BALANCES (DEFICITS) - END OF YEAR	$ 2,861	$ 52,736

See independent auditors' report.

Special Revenue Funds (Continued)

County Grants	EPA Sewer Grant	Urban Park and Recreation Recovery Program	Economic Development Assistance Grant	Prop 12 Park	Pedestrian Safety Program
$ -	$ -	$ -	$ -	$ -	$ -
5,400	21,469	-	9,625	204,698	-
-	-	-	-	-	-
-	-	-	77,474	-	-
-	-	-	-	-	4,037
5,400	21,469	-	87,099	204,698	4,037
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	101,956	-
5,060	-	-	1,450	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,060	-	-	1,450	101,956	-
340	21,469	-	85,649	102,742	4,037
444	7,331	-	-	197,193	-
-	-	(11,690)	(206,162)	(126,991)	(20,368)
444	7,331	(11,690)	(206,162)	70,202	(20,368)
784	28,800	(11,690)	(120,513)	172,944	(16,331)
(168,102)	(38,167)	-	2,386,416	(764,875)	16,331
$ (167,318)	$ (9,367)	$ (11,690)	$ 2,265,903	$ (591,931)	$ -

(Continued)

CITY OF PICO RIVERA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2006

	Special Revenue Funds (Continued)	
	Federal Emergency Management Agency	Intermodal Surface Transportation Efficiency Act
REVENUES:		
Taxes and assessments	$ -	$ -
Intergovernmental	-	-
Charges for services	-	-
Investment and rental	-	-
Miscellaneous	-	-
TOTAL REVENUES	-	-
EXPENDITURES:		
Current:		
General government	-	-
Public works	-	-
Parks and recreation	-	-
Health and welfare	-	-
Community development	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	65,275	(109,608)
FUND BALANCES (DEFICITS) - END OF YEAR	$ 65,275	$ (109,608)

See independent auditors' report.

Special Revenue Funds (Continued)

State Park	Image Enhancement	Reach Grants	Miscellaneous Grant	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ 1,142,574
-	-	1,214,839	151,340	6,281,613
-	209,054	-	-	217,694
-	47,568	-	-	396,249
-	-	-	-	847,105
-	256,622	1,214,839	151,340	8,885,235
-	841	-	-	5,989
-	-	-	-	1,323,385
-	-	859,400	-	961,371
-	-	-	539,898	552,909
-	-	-	-	1,151,287
-	-	-	-	152,170
-	-	-	-	280,000
-	-	-	-	8,974
-	841	859,400	539,898	4,436,085
-	255,781	355,439	(388,558)	4,449,150
-	-	-	-	350,420
(96,103)	(11,830)	-	(291,468)	(4,054,305)
(96,103)	(11,830)	-	(291,468)	(3,703,885)
(96,103)	243,951	355,439	(680,026)	745,265
(759,289)	1,603,931	49,679	140,033	9,113,826
$ (855,392)	$ 1,847,882	$ 405,118	$ (539,993)	$ 9,859,091

(Continued)

CITY OF PICO RIVERA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2006

	Capital Projects Funds	
	Assessment District 95-1 Improvement	Flossmoor Road Sewer Assessment District
REVENUES:		
Taxes and assessments	$ -	$ 26,232
Intergovernmental	-	-
Charges for services	-	-
Investment and rental	850	-
Miscellaneous	-	-
TOTAL REVENUES	850	26,232
EXPENDITURES:		
Current:		
General government	-	-
Public works	-	1,001
Parks and recreation	-	-
Health and welfare	-	-
Community development	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	-	1,001
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	850	25,231
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(2,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,100)	-
NET CHANGE IN FUND BALANCES	(1,250)	25,231
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	5,227	(75,254)
FUND BALANCES (DEFICITS) - END OF YEAR	$ 3,977	$ (50,023)

See independent auditors' report.

Capital Projects (Continued)		
Paramount/Mines Landscape Maintenance Assessment	Total Capital Projects Funds	Total Other Governmental Funds
$ 8,038	$ 34,270	$ 1,176,844
-	-	6,281,613
-	-	217,694
-	850	397,099
-	-	847,105
8,038	35,120	8,920,355
	-	5,989
1,001	2,002	1,325,387
-	-	961,371
-	-	552,909
-	-	1,151,287
	-	152,170
-	-	280,000
-	-	8,974
1,001	2,002	4,438,087
7,037	33,118	4,482,268
-	-	350,420
-	(2,100)	(4,056,405)
-	(2,100)	(3,705,985)
7,037	31,018	776,283
(149,302)	(219,329)	8,894,497
$ (142,265)	$ (188,311)	$ 9,670,780

CITY OF PICO RIVERA

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

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental	$ 2,245,800	$ 2,245,800	$ 1,207,699	$ (1,038,101)
Investment and rental	6,000	6,000	71,750	65,750
Miscellaneous	30,000	30,000	527,326	497,326
TOTAL REVENUES	2,281,800	2,281,800	1,806,775	(475,025)
EXPENDITURES:				
Current:				
Community development	1,965,626	1,987,726	1,056,475	931,251
Debt service:				
Principal retirement	280,000	280,000	280,000	-
Interest and fiscal charges	8,974	8,974	8,974	-
TOTAL EXPENDITURES	2,254,600	2,276,700	1,345,449	931,251
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,200	5,100	461,326	456,226
OTHER FINANCING SOURCES (USES):				
Transfers in	328,600	328,600	145,452	(183,148)
Transfers out	(20,000)	(20,000)	(20,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	308,600	308,600	125,452	(183,148)
NET CHANGE IN FUND BALANCE	335,800	313,700	586,778	273,078
FUND BALANCE - BEGINNING OF YEAR	153,706	153,706	153,706	-
FUND BALANCE - END OF YEAR	$ 489,506	$ 467,406	$ 740,484	$ 273,078

See independent auditors' report.

CITY OF PICO RIVERA

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

EQUIPMENT REPLACEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment and rental	$ 3,700	$ 3,700	$ 24,031	$ 20,331
EXPENDITURES:				
Current				
General government	-	-	5,148	(5,148)
Capital outlay	719,600	719,600	152,170	567,430
TOTAL EXPENDITURES	719,600	719,600	157,318	562,282
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(715,900)	(715,900)	(133,287)	582,613
FUND BALANCE - BEGINNING OF YEAR	896,141	896,141	896,141	-
FUND BALANCE - END OF YEAR	$ 180,241	$ 180,241	$ 762,854	$ 582,613

See independent auditors' report.

CITY OF PICO RIVERA

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

STATE GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 1,138,500	$ 1,138,500	$ 1,208,779	$ 70,279
Investment and rental	-	-	4,044	4,044
Miscellaneous	-	-	299,994	299,994
TOTAL REVENUES	1,138,500	1,138,500	1,512,817	374,317
EXPENDITURES:				
Current:				
Public works	-	-	17	(17)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,138,500	1,138,500	1,512,800	374,300
OTHER FINANCING USES:				
Transfers out	(1,138,500)	(1,138,500)	(1,209,939)	(71,439)
NET CHANGE IN FUND BALANCE	-	-	302,861	302,861
FUND BALANCE - BEGINNING OF YEAR	112,603	112,603	112,603	-
FUND BALANCE - END OF YEAR	$ 112,603	$ 112,603	$ 415,464	$ 302,861

See independent auditors' report.

CITY OF PICO RIVERA

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

LIGHTING ASSESSMENT DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes and assessment	$ 997,200	$ 997,200	$ 1,142,574	$ 145,374
Investment and rental	1,000	1,000	18,496	17,496
TOTAL REVENUES	998,200	998,200	1,161,070	162,870
EXPENDITURES:				
Current:				
Public works	663,300	663,300	506,491	156,809
Capital outlay	242,000	10,000	-	10,000
TOTAL EXPENDITURES	905,300	673,300	506,491	166,809
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	92,900	324,900	654,579	329,679
OTHER FINANCING USES:				
Transfers out	(245,600)	(245,600)	(250,706)	(5,106)
NET CHANGE IN FUND BALANCE	(152,700)	79,300	403,873	324,573
FUND BALANCE - BEGINNING OF YEAR	495,282	495,282	495,282	-
FUND BALANCE - END OF YEAR	$ 342,582	$ 574,582	$ 899,155	$ 324,573

See independent auditors' report.

CITY OF PICO RIVERA

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

PARK DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Charges for services	$ -	$ -	$ 200	$ 200
Investment and rental	100	100	807	707
TOTAL REVENUES	100	100	1,007	907
EXPENDITURES:				
Current:				
Parks and recreation	-	-	15	(15)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100	100	992	892
FUND BALANCE - BEGINNING OF YEAR	28,742	28,742	28,742	-
FUND BALANCE - END OF YEAR	$ 28,842	$ 28,842	$ 29,734	$ 892

See independent auditors' report.

CITY OF PICO RIVERA

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

PROP A SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 933,100	$ 933,100	$ 1,077,240	$ 144,140
Investment and rental	2,100	2,100	15,313	13,213
Miscellaneous	20,000	20,000	15,748	(4,252)
TOTAL REVENUES	955,200	955,200	1,108,301	153,101
EXPENDITURES:				
Current:				
Public works	825,600	825,600	807,411	18,189
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	129,600	129,600	300,890	171,290
OTHER FINANCING USES:				
Transfers out	(186,600)	(186,600)	(186,600)	-
NET CHANGE IN FUND BALANCE	(57,000)	(57,000)	114,290	171,290
FUND BALANCE - BEGINNING OF YEAR	420,669	420,669	420,669	-
FUND BALANCE - END OF YEAR	$ 363,669	$ 363,669	$ 534,959	$ 171,290

See independent auditors' report.

CITY OF PICO RIVERA

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

PROP C SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 774,000	$ 774,000	$ 1,013,387	$ 239,387
Investment and rental	19,000	19,000	116,460	97,460
TOTAL REVENUES	793,000	793,000	1,129,847	336,847
EXPENDITURES:				
Current:				
Public works	8,700	8,700	9,130	(430)
Capital outlay	160,000	-	-	-
TOTAL EXPENDITURES	168,700	8,700	9,130	(430)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	624,300	784,300	1,120,717	336,417
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	(229,800)	(229,800)	(1,524,882)	(1,295,082)
TOTAL OTHER FINANCING SOURCES (USES)	(129,800)	(129,800)	(1,524,882)	(1,395,082)
NET CHANGE IN FUND BALANCE	494,500	654,500	(404,165)	(1,058,665)
FUND BALANCE - BEGINNING OF YEAR	3,901,685	3,901,685	3,901,685	-
FUND BALANCE - END OF YEAR	$ 4,396,185	$ 4,556,185	$ 3,497,520	$ (1,058,665)

See independent auditors' report.

CITY OF PICO RIVERA

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

SEWER SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Charges for services	$ -	$ -	$ 8,440	$ 8,440
Investment and rental	3,500	3,500	18,215	14,715
TOTAL REVENUES	3,500	3,500	26,655	23,155
EXPENDITURES:				
Current:				
Public works	-	-	336	(336)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,500	3,500	26,319	22,819
OTHER FINANCING USES:				
Transfers out	-	-	(17,566)	(17,566)
NET CHANGE IN FUND BALANCE	3,500	3,500	8,753	5,253
FUND BALANCE - BEGINNING OF YEAR	661,472	661,472	661,472	-
FUND BALANCE - END OF YEAR	$ 664,972	$ 664,972	$ 670,225	$ 5,253

See independent auditors' report.

CITY OF PICO RIVERA

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

CALHOME GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 500,000	$ 500,000	$ 49,025	$ (450,975)
EXPENDITURES:				
Current:				
Community development	500,000	500,000	94,805	405,195
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(45,780)	(45,780)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ -	$ -	$ (45,780)	$ (45,780)

See independent auditors' report.

CITY OF PICO RIVERA

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

AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 70,000	$ 70,000	$ 81,040	$ 11,040
Investment and rental	100	100	1,085	985
TOTAL REVENUES	70,100	70,100	82,125	12,025
EXPENDITURES:				
Current:				
Community development	-	-	7	(7)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	70,100	70,100	82,118	12,018
OTHER FINANCING USES:				
Transfers out	(70,100)	(70,100)	(80,000)	(9,900)
NET CHANGE IN FUND BALANCE	-	-	2,118	2,118
FUND BALANCE - BEGINNING OF YEAR	743	743	743	-
FUND BALANCE - END OF YEAR	$ 743	$ 743	$ 2,861	$ 2,118

See independent auditors' report.

CITY OF PICO RIVERA

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

STATE GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 35,400	$ 35,400	$ 37,072	$ 1,672
Investment and rental	300	300	1,006	706
TOTAL REVENUES	35,700	35,700	38,078	2,378
EXPENDITURES:				
Current:				
Health and welfare	76,000	76,000	6,501	69,499
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(40,300)	(40,300)	31,577	71,877
FUND BALANCE - BEGINNING OF YEAR	21,159	21,159	21,159	-
FUND BALANCE - END OF YEAR	$ (19,141)	$ (19,141)	$ 52,736	$ 71,877

See independent auditors' report.

CITY OF PICO RIVERA

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

COUNTY GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 174,200	$ 174,200	$ 5,400	$ (168,800)
EXPENDITURES:				
Current:				
Health and welfare	6,900	6,900	5,060	1,840
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	167,300	167,300	340	(166,960)
OTHER FINANCING SOURCES:				
Transfers in	-	-	444	444
NET CHANGE IN FUND BALANCE	167,300	167,300	784	(166,516)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(168,102)	(168,102)	(168,102)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (802)	$ (802)	$ (167,318)	$ (166,516)

See independent auditors' report.

CITY OF PICO RIVERA

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

EPA SEWER GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 200,000	$ 200,000	$ 21,469	$ (178,531)
OTHER FINANCING SOURCES:				
Transfers in	-	-	7,331	7,331
NET CHANGE IN FUND BALANCE	200,000	200,000	28,800	(171,200)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(38,167)	(38,167)	(38,167)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ 161,833	$ 161,833	$ (9,367)	$ (171,200)

See independent auditors' report.

CITY OF PICO RIVERA

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

ECONOMIC DEVELOPMENT ASSISTANCE GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ -	$ -	$ 9,625	$ 9,625
Investment and rental	13,000	13,000	77,474	64,474
TOTAL REVENUES	13,000	13,000	87,099	74,099
EXPENDITURES:				
Current:				
Health and welfare	-	-	1,450	(1,450)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,000	13,000	85,649	72,649
OTHER FINANCING USES:				
Transfers out	(160,000)	(160,000)	(206,162)	(46,162)
NET CHANGE IN FUND BALANCE	(147,000)	(147,000)	(120,513)	26,487
FUND BALANCE - BEGINNING OF YEAR	2,386,416	2,386,416	2,386,416	-
FUND BALANCE - END OF YEAR	$ 2,239,416	$ 2,239,416	$ 2,265,903	$ 26,487

See independent auditors' report.

CITY OF PICO RIVERA

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

PROP 12 PARK SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 295,000	$ 2,227,282	$ 204,698	$ (2,022,584)
EXPENDITURES				
Current:				
Parks and recreation	-	1,932,282	101,956	1,830,326
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	295,000	295,000	102,742	(192,258)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	197,193	197,193
Transfers out	-	-	(126,991)	(126,991)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	70,202	70,202
NET CHANGE IN FUND BALANCE	295,000	295,000	172,944	(122,056)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(764,875)	(764,875)	(764,875)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (469,875)	$ (469,875)	$ (591,931)	$ (122,056)

See independent auditors' report.

CITY OF PICO RIVERA

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

PEDESTRIAN SAFETY PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 45,000	$ 45,000	$ -	$ (45,000)
Miscellaneous	-	-	4,037	4,037
TOTAL REVENUES	45,000	45,000	4,037	(40,963)
OTHER FINANCING USES:				
Transfers out	-	-	(20,368)	(20,368)
NET CHANGE IN FUND BALANCE	45,000	45,000	(16,331)	(61,331)
FUND BALANCE - BEGINNING OF YEAR	16,331	16,331	16,331	-
FUND BALANCE - END OF YEAR	$ 61,331	$ 61,331	$ -	$ (61,331)

See independent auditors' report.

CITY OF PICO RIVERA

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

STATE PARK SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 772,000	$ 772,000	$ -	$ (772,000)
OTHER FINANCING USES:				
Transfers out	-	-	(96,103)	(96,103)
NET CHANGE IN FUND BALANCE	772,000	772,000	(96,103)	(868,103)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(759,289)	(759,289)	(759,289)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ 12,711	$ 12,711	$ (855,392)	$ (868,103)

See independent auditors' report.

CITY OF PICO RIVERA

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

IMAGE ENHANCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Charges for services	$ 46,000	$ 46,000	$ 209,054	$ 163,054
Investment and rental	8,600	8,600	47,568	38,968
TOTAL REVENUES	54,600	54,600	256,622	202,022
EXPENDITURES:				
Current:				
General government	-	-	841	(841)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	54,600	54,600	255,781	201,181
OTHER FINANCING USES:				
Transfers out	-	-	(11,830)	(11,830)
NET CHANGE IN FUND BALANCE	54,600	54,600	243,951	189,351
FUND BALANCE - BEGINNING OF YEAR	1,603,931	1,603,931	1,603,931	-
FUND BALANCE - END OF YEAR	$ 1,658,531	$ 1,658,531	$ 1,847,882	$ 189,351

See independent auditors' report.

CITY OF PICO RIVERA

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

REACH GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 872,500	$ 872,500	$ 1,214,839	$ 342,339
EXPENDITURES:				
Current:				
Parks and recreation	866,800	866,800	859,400	7,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,700	5,700	355,439	349,739
FUND BALANCE - BEGINNING OF YEAR	49,679	49,679	49,679	-
FUND BALANCE - END OF YEAR	$ 55,379	$ 55,379	$ 405,118	$ 349,739

See independent auditors' report.

CITY OF PICO RIVERA

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

MISCELLANEOUS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ 413,000	$ 413,000	$ 151,340	$ (261,660)
EXPENDITURES:				
Current:				
Health and welfare	-	-	539,898	(539,898)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	413,000	413,000	(388,558)	(801,558)
OTHER FINANCING USES:				
Transfers out	(125,000)	(125,000)	(291,468)	(166,468)
NET CHANGE IN FUND BALANCE	288,000	288,000	(680,026)	(968,026)
FUND BALANCE - BEGINNING OF YEAR	140,033	140,033	140,033	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ 428,033	$ 428,033	$ (539,993)	$ (968,026)

See independent auditors' report.

CITY OF PICO RIVERA

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

ASSESSMENT DISTRICT 95-1 IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2006

	Budget Amounts				Actual		Variance with Final Budget Positive (Negative)	
		Original		Final				
REVENUES:								
Investment and rental	$	100	$	100	$	850	$	750
OTHER FINANCING USES:								
Transfers out		(2,100)		(2,100)		(2,100)		-
NET CHANGE IN FUND BALANCE		(2,000)		(2,000)		(1,250)		750
FUND BALANCE - BEGINNING OF YEAR		5,227		5,227		5,227		-
FUND BALANCE - END OF YEAR	$	3,227	$	3,227	$	3,977	$	750

See independent auditors' report.

CITY OF PICO RIVERA

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

FLOSSMOOR ROAD SEWER ASSESSMENT DISTRICT CAPITAL PROJECTS FUND

For the year ended June 30, 2006

	Budget Amounts				Actual		Variance with Final Budget Positive (Negative)	
		Original		Final				
REVENUES:								
Taxes and assessment	$	26,200	$	26,200	$	26,232	$	32
EXPENDITURES:								
Current:								
Public works		500		500		1,001		501
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		25,700		25,700		25,231		(469)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR		(75,254)		(75,254)		(75,254)		-
FUND BALANCE (DEFICIT) - END OF YEAR	$	(49,554)	$	(49,554)	$	(50,023)	$	(469)

See independent auditors' report.

CITY OF PICO RIVERA

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

PARAMOUNT/MINES LANDSCAPE MAINTENANCE ASSESSMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2006

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes and assessments	$ 8,800	$ 8,800	$ 8,038	$ (762)
EXPENDITURES:				
Current:				
Public works	5,400	5,400	1,001	(4,399)
NET CHANGE IN FUND BALANCE	3,400	3,400	7,037	3,637
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(149,302)	(149,302)	(149,302)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ (145,902)	$ (145,902)	$ (142,265)	$ 3,637

See independent auditors' report.

CITY OF PICO RIVERA

DESCRIPTION OF OTHER ENTERPRISE FUNDS

June 30, 2006

These funds account for operations that are financed and operated in a manner similar to private business enterprises. The Whittier Narrows Recreation Area Other Enterprise Funds are as follows:

Pico Rivera Sports Arena, Stables and Campground Funds account individually for funds received from the respective private concessionaires operating each facility.

Pico Rivera Golf Course Fund records the operations of the City managed Golf Course.

CITY OF PICO RIVERA

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS

June 30, 2006

	Whittier Narrows Recreation Area		
	Sports Arena	Stables	Campground
ASSETS			
CURRENT ASSETS:			
Cash and investments	$ 50,623	$ 64,236	$ 18,763
Receivables, net:			
Accounts	-	1,000	-
Interest	1,078	559	182
Deposits	-	-	-
Inventories, at cost	-	-	-
TOTAL CURRENT ASSETS	51,701	65,795	18,945
NONCURRENT ASSETS:			
Capital assets, not depreciated	2,172	763	1,195
Capital assets, depreciated, net	685,498	475,523	453,050
TOTAL NONCURRENT ASSETS	687,670	476,286	454,245
TOTAL ASSETS	739,371	542,081	473,190
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	4	2,937	1
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Compensated absences	-	-	-
TOTAL CURRENT LIABILITIES	4	2,937	1
NONCURRENT LIABILITIES:			
Advances from other funds	362,004	783,763	890,009
Compensated absences	-	-	-
TOTAL NONCURRENT LIABILITIES	362,004	783,763	890,009
TOTAL LIABILITIES	362,008	786,700	890,010
NET ASSETS			
Invested in capital assets, net of related debt	687,670	476,286	454,245
Unrestricted	(310,307)	(720,905)	(871,065)
TOTAL NET ASSETS (DEFICITS)	$ 377,363	$ (244,619)	$ (416,820)

See independent auditors' report.

Whittier Narrows Recreation Area	
Golf Course	Total
$ -	$ 133,622
2,000	3,000
-	1,819
14,445	14,445
19,814	19,814
36,259	172,700
38,945	43,075
567,216	2,181,287
606,161	2,224,362
642,420	2,397,062
25,134	28,076
5,445	5,445
912,553	912,553
2,241	2,241
945,373	948,315
401,815	2,437,591
20,167	20,167
421,982	2,457,758
1,367,355	3,406,073
606,161	2,224,362
(1,331,096)	(3,233,373)
$ (724,935)	$ (1,009,011)

CITY OF PICO RIVERA

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
OTHER ENTERPRISE FUNDS

For the year ended June 30, 2006

	Whittier Narrows Recreation Area		
	Sports Arena	Stables	Campground
OPERATING REVENUES:			
Charges for services	$ 124,099	$ 12,000	$ -
Other revenues	-	-	-
TOTAL OPERATING REVENUES	124,099	12,000	-
OPERATING EXPENSES:			
Salaries and benefits	-	-	-
Contractual services	15,502	2,934	-
Administrative	41	28	12
Utilities	-	-	-
Maintenance and supplies	-	-	5,400
Depreciation	48,918	10,702	31,484
TOTAL OPERATING EXPENSES	64,461	13,664	36,896
OPERATING INCOME (LOSS)	59,638	(1,664)	(36,896)
NONOPERATING REVENUES (EXPENSES):			
Investment income	3,032	1,632	630
Interest expense	(13,936)	(15,455)	(10,800)
TOTAL NONOPERATING REVENUES (EXPENSES)	(10,904)	(13,823)	(10,170)
INCOME (LOSS) BEFORE TRANSFERS	48,734	(15,487)	(47,066)
TRANSFERS OUT	-	-	-
CHANGE IN NET ASSETS	48,734	(15,487)	(47,066)
TOTAL NET ASSETS (DEFICITS) - BEGINNING OF YEAR	328,629	(229,132)	(369,754)
TOTAL NET ASSETS (DEFICITS) - END OF YEAR	$ 377,363	$ (244,619)	$ (416,820)

See independent auditors' report.

Whittier Narrows Recreation Area	
Golf Course	Total
$ 738,818	$ 874,917
59,809	59,809
798,627	934,726
361,008	361,008
23,266	41,702
261,004	261,085
114,021	114,021
100,600	106,000
68,923	160,027
928,822	1,043,843
(130,195)	(109,117)
-	5,294
(22,140)	(62,331)
(22,140)	(57,037)
(152,335)	(166,154)
(159,725)	(159,725)
(312,060)	(325,879)
(412,875)	(683,132)
$ (724,935)	$ (1,009,011)

CITY OF PICO RIVERA

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS

For the year ended June 30, 2006

	Whittier Narrows Recreation Area		
	Sports Arena	Stables	Campground
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 124,099	$ 11,000	$ -
Payments to suppliers	(15,547)	(37)	(5,415)
Payments to employees	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	108,552	10,963	(5,415)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Received from other funds	-	-	-
Paid to other funds	(100,000)	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(100,000)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	2,097	1,316	561
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,649	12,279	(4,854)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	39,974	51,957	23,617
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 50,623	$ 64,236	$ 18,763
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 59,638	$ (1,664)	$ (36,896)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	48,918	10,702	31,484
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivables	-	(1,000)	-
(Increase) decrease in deposits	-	-	-
(Increase) decrease in inventories	-	-	-
Increase (decrease) in accounts payable	(4)	2,925	(3)
Increase (decrease) in accrued liabilities	-	-	-
Increase (decrease) in compensated absences	-	-	-
TOTAL ADJUSTMENTS	48,914	12,627	31,481
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 108,552	$ 10,963	$ (5,415)
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Changes in advances related to accrued interest	$ 13,936	$ 15,455	$ 10,800

See independent auditors' report.

Whittier Narrows Recreation Area	
Golf Course	Total
$ 798,694	$ 933,793
(501,034)	(522,033)
(359,089)	(359,089)
(61,429)	52,671
309,893	309,893
(159,725)	(259,725)
150,168	50,168
(88,739)	(88,739)
-	3,974
-	18,074
-	115,548
$ -	$ 133,622
$ (130,195)	$ (109,117)
68,923	160,027
67	(933)
(2,760)	(2,760)
2,413	2,413
(1,796)	1,122
(1,927)	(1,927)
3,846	3,846
68,766	161,788
$ (61,429)	$ 52,671
$ 22,140	$ 62,331

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CITY OF PICO RIVERA

DESCRIPTION OF AGENCY FUND

June 30, 2006

The Agency Fund accounts for assets held by the City as an agent for bond assessment districts. The Agency Fund is as follows:

The Assessment District 95-1 Improvement Fund accounts for monies received for the payment of the Special Assessment Bonds. Funds are annually assessed to each respective property owner by the Los Angeles County Tax Collector and remitted to the City.

CITY OF PICO RIVERA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS:				
Cash and investments	$ 40,787	$ 32,923	$ 38,551	$ 35,159
Taxes receivable	-	5,285	-	5,285
TOTAL ASSETS	$ 40,787	$ 38,208	$ 38,551	$ 40,444
LIABILITIES:				
Deposits payable	$ 40,787	$ 38,208	$ 38,551	$ 40,444

See independent auditors' report

STATISTICAL SECTION
(UNAUDITED)

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CITY OF PICO RIVERA

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2006

This part of the City of Pico Rivera's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:

	Pages
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	138 - 142
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	143 - 145
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	146 - 151
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	152 - 153
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	154 - 156

City of Pico Rivera
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Governmental Activities:				
Invested in capital assets, net of related debt	$ 23,281,853	$ 31,111,506	$ 32,697,038	$ 34,740,084
Restricted	331,559	11,708,700	11,439,231	12,304,490
Unrestricted	(48,407,259)	(57,874,288)	(60,638,614)	(56,778,135)
Total governmental activities net assets	(24,793,847)	(15,054,082)	(16,502,345)	(9,733,561)
Business-type Activities:				
Invested in capital assets, net of related debt	6,124,587	27,034,162	27,994,096	26,990,694
Restricted	5,193,887	4,532,993	4,449,323	4,171,209
Unrestricted	19,642,364	(1,160,828)	(2,272,766)	(1,127,575)
Total business-type activities net assets	30,960,838	30,406,327	30,170,653	30,034,328
Primary Government:				
Invested in capital assets, net of related debt	29,406,440	58,145,668	60,691,134	61,730,778
Restricted	5,525,446	16,241,693	15,888,554	16,475,699
Unrestricted	(28,764,895)	(59,035,116)	(62,911,380)	(57,905,710)
Total primary government net assets	$ 6,166,991	$ 15,352,245	$ 13,668,308	$ 20,300,767

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Expenses:				
Governmental Activities:				
General government	$ 10,543,667	$ 9,080,334	$ 11,428,626	$ 9,895,699
Public safety	6,406,252	7,152,034	7,623,674	8,116,757
Public works	4,504,378	5,555,980	6,126,234	6,847,821
Parks and recreation	5,125,458	5,385,664	4,981,564	3,940,046
Health and welfare	3,712,452	4,777,727	4,579,545	4,742,546
Community development	7,157,548	6,364,158	7,558,819	6,051,055
Pass through to other agencies	2,425,495	-	-	-
Loss on land held for resale	1,215,653	-	-	-
Interest	2,018,029	3,125,937	3,309,305	2,875,836
Total governmental activities net expenses	43,108,932	41,441,834	45,607,767	42,469,760
Business-type Activities:				
Water	7,496,928	7,200,856	7,737,301	7,812,309
Nonmajor enterprise funds	1,019,557	1,122,230	890,052	1,106,174
Total business-type activities net assets	8,516,485	8,323,086	8,627,353	8,918,483
Total primary government expenses	$ 51,625,417	$ 49,764,920	$ 54,235,120	$ 51,388,243
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government	$ 2,106,145	$ 1,459,634	$ 701,685	$ 500,226
Public safety	808,960	557,425	1,087,334	902,834
Public works	561,969	1,311,022	1,066,636	1,258,618
Parks and recreation	897,276	765,740	675,995	707,524
Health and welfare	1,931	148,796	147,329	476,841
Community development	1,039,630	1,185,597	891,960	1,053,680
Operating contributions and grants	13,971,212	16,606,780	11,065,958	12,315,594
Capital contributions and grants	6,781,111	5,948,509	182,808	2,874,000
Total governmental activities program revenues	26,168,234	27,983,503	15,819,705	20,089,317
Business-type Activities:				
Charges for services:				
Water utility	5,019,018	5,139,698	5,294,063	5,059,106
Nonmajor enterprise funds	932,622	918,394	897,992	934,726
Capital contributions and grants	68,000	-	-	
Total business-type activities program revenues	6,019,640	6,058,092	6,192,055	5,993,832
Primary government program revenues	$ 32,187,874	$ 34,041,595	$ 22,011,760	$ 26,083,149
Net (Expense)/Revenue:				
Governmental activities	$(16,940,698)	$(13,458,331)	$(29,788,062)	$(22,380,443)
Business-type activities	(2,496,845)	(2,264,994)	(2,435,298)	(2,924,651)
Total primary government net expense	$(19,437,543)	$(15,723,325)	$(32,223,360)	$(25,305,094)

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Property taxes	$ 6,559,945	$ 6,416,408	$ 7,759,956	$ 13,574,447
Sales taxes	5,453,985	6,746,464	7,059,294	7,969,973
Franchise taxes	993,091	979,546	1,109,691	969,595
Utility users taxes	3,201,569	3,352,796	3,620,239	3,836,457
Other taxes	-	5,769,778	5,789,985	1,732,339
Unrestricted motor vehicle license in lieu	-	-	-	237,016
Investment income	99,642	225,790	757,285	455,006
Other	-	83,906	237,184	3,713
Transfers	1,198,512	1,100,906	735,910	214,525
Gain on sale of property	355,659	-	-	156,156
Total governmental activities	17,862,403	24,675,594	27,069,544	29,149,227
Business-type Activities:				
Investment income	3,000,054	2,928,702	2,935,534	3,002,851
Transfers	(1,198,512)	(1,100,906)	(735,910)	(214,525)
Total business-type activities	1,801,542	1,827,796	2,199,624	2,788,326
Total primary government	$ 19,663,945	$ 26,503,390	$ 29,269,168	$ 31,937,553
Change in Net Assets:				
Governmental activities	$ 921,705	$ 11,217,263	$ (2,718,518)	$ 6,768,784
Business-type activities	(695,303)	(437,198)	(235,674)	(136,325)
Total primary government	$ 226,402	$ 10,780,065	$ (2,954,192)	$ 6,632,459

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Fund:				
Reserved	$ 11,184,926	$ 8,890,476	$ 10,452,952	$ 9,856,378
Unreserved	1,647,915	2,075,870	(481,113)	2,868,707
Total general fund	$ 12,832,841	$ 10,966,346	$ 9,971,839	$ 12,725,085
All Other Governmental Funds:				
Reserved	$ 13,308,656	$ 7,145,780	$ 4,020,424	$ 2,139,102
Unreserved, reported in:				
Special revenue funds	6,068,112	14,856,956	14,992,076	10,647,724
Debt Service funds	(37,736,823)	(37,013,195)	(36,473,309)	(27,708,365)
Capital projects funds	(27,467,788)	(27,586,147)	(24,993,544)	(24,888,349)
Total all other governmental funds	$(45,827,843)	$(42,596,606)	$(42,454,353)	$(39,809,888)

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Years			
	2002-03	2003-04	2004-05	2005-06
Revenues:				
Taxes	$ 14,730,716	$ 18,393,189	$ 19,803,148	$ 24,446,972
Licenses and permits	3,010,067	3,086,469	2,929,773	2,942,873
Fines and forfeitures	686,266	715,997	1,022,768	1,164,730
Intergovernmental	18,677,499	22,582,301	17,062,455	15,882,113
Charges for services	1,373,296	1,706,209	1,012,157	1,274,261
Investment income	290,752	899,088	1,370,226	836,757
Gain on sale of land held for resale	1,108,909	-	-	-
Miscellaneous	4,074,725	3,626,381	1,508,073	4,061,286
Total revenues	43,952,230	51,009,634	44,708,600	50,608,992
Expenditures:				
General government	10,843,094	8,874,546	10,898,109	9,589,360
Parks and recreation	4,861,246	4,868,313	4,909,394	3,679,445
Public works	4,223,797	5,387,103	5,549,480	7,080,544
Public safety	6,699,379	7,147,968	7,619,608	8,112,907
Community development	4,549,998	3,358,815	2,534,755	1,756,589
Pass through to other agencies	2,425,495	2,591,642	3,652,231	4,280,086
Loss on sale of land held for resale	1,215,653	-	-	-
Health and welfare	3,706,480	4,777,727	4,579,545	4,742,546
Capital outlay	5,920,356	4,666,859	1,636,708	1,863,171
Debt service:				
Principal retirement	545,000	580,000	620,000	655,000
Interest and other charges	3,114,116	4,073,968	3,909,898	3,822,314
Total expenditures	48,104,614	46,326,941	45,909,728	45,581,962
Excess (deficiency) of revenues over (under) expenditures	(4,152,384)	4,682,693	(1,201,128)	5,027,030
Other Financing Sources (Uses):				
Transfers in	18,973,127	10,879,846	6,236,017	8,451,529
Transfers out	(17,774,615)	(9,778,940)	(5,500,107)	(8,237,004)
Sale of capital assets	-	956,791	(387,036)	156,156
Total other financing sources (uses)	1,198,512	2,057,697	348,874	370,681
Net change in fund balances	(2,953,872)	6,740,390	(852,254)	5,397,711
Fund balances - July 1	(30,041,130)	(38,370,650)	(31,630,260)	(32,482,514)
Fund balances - June 30	$ (32,995,002)	$ (31,630,260)	$ (32,482,514)	$ (27,084,803)
Debt service as a percentage of noncapital expenditures	8.67%	11.17%	10.23%	10.24%

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Revenue Base by Category
Last Four Fiscal Years
(rate per $1,000 of assessed value)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other* Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002-03	$ 1,639,574,995	$ 210,129,498	$ 313,617,113	$ 197,644,124	$ 1,007,414	$ 2,361,973,144	1.00
2003-04	1,771,214,112	241,083,289	343,938,608	181,963,886	431,490	2,538,631,385	1.00
2004-05	1,908,411,611	262,653,931	377,091,268	214,516,223	733,094	2,763,406,127	1.00
2005-06	2,103,245,621	339,334,347	421,300,122	248,253,234	81,832	3,112,215,156	1.00

*Other property includes recreational, institutional, vacant, and miscellaneous property.

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: Los Angeles County Assessor Lien Date Rolls

City of Pico Rivera
Direct and Overlapping Governments Property Tax Rates
Last Four Fiscal Years

		Overlapping Rates				
Fiscal Year	City Direct Rate	El Rancho Unified School District	Los Angeles County	County Flood Control District	Metro. Water District	Rio Hondo Community College District
2002-03	0.0169	0.0388	0.0010	0.000881	0.0067	-
2003-04	0.0071	0.0817	0.0009	0.000245	0.0058	0.021695
2004-05	-	0.0818	0.0008	0.000049	0.0052	0.018021
2005-06	-	0.0791	0.0007	0.000052	0.0047	0.014688

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: Los Angeles County Auditor/Controller

City of Pico Rivera
Principal Property Tax Payers
Current Fiscal Year and Ten Fiscal Years Ago

Taxpayer	2005-06 Taxable Assessed Value	2005-06 Percentage of Total City Taxable Assessed Value	1995-96 Taxable Assessed Value	1995-96 Percentage of Total City Taxable Assessed Value
Vestar California XXVI LLC	$ 37,807,094	1.21%	$ -	0.00%
Majestic AMB Pico Rivera Associates	37,279,408	1.20%	-	0.00%
Lubricating Specialties Company	35,929,184	1.15%	10,130,329	0.47%
General American Life Insurance Co	24,439,200	0.79%	-	0.00%
Wal Mart Real Estate Business Trust	22,462,775	0.72%	-	0.00%
TRF Crossroads LLC	19,100,879	0.61%	-	0.00%
Dayton Hudson Corporation	18,695,284	0.60%	-	0.00%
GGF LLC	18,500,000	0.59%	-	0.00%
Rex Road LLC	17,952,000	0.58%	-	0.00%
Lowe's HIW Inc.	15,307,738	0.49%	-	0.00%
7820 Knott Avenue Associates	-	0.00%	7,272,000	0.34%
Crossroads Plaza Limited Partnership	-	0.00%	15,762,505	0.74%
Gagik Galstian Trust	-	0.00%	13,260,000	0.62%
General Felt Industries Inc.	-	0.00%	8,500,943	0.40%
LA Dye & Print Works Inc.	-	0.00%	7,432,778	0.35%
Maryward Properties Corporation	-	0.00%	9,266,893	0.43%
Northrup Grumman Corporation	-	0.00%	371,041,545	17.38%
San Gabriel Parkway Investment	-	0.00%	7,264,702	0.34%
Westco Products Inc.	-	0.00%	13,295,346	0.62%
	$ 247,473,562	7.95%	$ 463,227,041	21.70%

Excludes government and tax-exempt property owners

Total City Value(1) for 1995-96	$ 2,134,263,207
Total City Value(1) for 2005-06	$ 3,112,215,156

Source: HDL Revenue Management

City of Pico Rivera
Ratios of Outstanding Debt by Type
Last Four Fiscal Years

	Governmental Activities			
Fiscal Year	County Deferral	General Obligation Bonds	Section 108 Loans	Compensated Absences
2002-03	$ 29,982,135	$ 1,060,000	$ 795,000	$ 650,609
2003-04	31,794,940	725,000	550,000	645,036
2004-05	33,724,853	375,000	280,000	702,819
2005-06	35,325,140	-	-	580,141

Note: Details regarding the outstanding debt can be found in the notes to the financial statements.

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

Business-Type Activities				
Revenue Bonds	Compensated Absences	Total Primary Government	Percentage of Personal Income (2)	Debt Per Capita (2)
$ 62,035,000	$ 103,407	$ 94,626,151	10.45%	6.89%
60,975,000	106,565	94,796,541	9.93%	6.56%
60,126,116	108,457	95,317,245	9.63%	6.42%
58,922,966	107,216	94,935,463	9.54%	6.42%

City of Pico Rivera
Ratios of General Bonded Debt Oustanding
Last Four Fiscal Years
(amounts expressed in thousands, except per capita amounts)

Fiscal Year	General Obligation Bonds	Total Primary Government	Percent of Assessed Value	Per Capita
2002-03	$ 1,060,000	$ 1,060,000	0.045%	$ 77.14
2003-04	725,000	725,000	0.031%	50.13
2004-05	375,000	375,000	0.016%	25.33
2005-06	-	-	0.000%	-

Note: Details regarding the outstanding debt can be found in the notes to the financial statements.

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Direct and Overlapping Debt
As of June 30, 2006

2005-06 Assessed Valuation:	$ 3,467,505,398
Redevelopment Incremental Valuation:	590,729,614
Adjusted Assessed Valuation:	$ 2,876,775,784

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Los Angeles County	$ 55,421	0.34%	$ 190
Los Angeles County Flood Control District	418,048	0.43%	1,814
Metropolitan Water District	733,933	0.18%	1,284
Los Angeles Community College District	110,802	0.02%	17
Rio Hondo Community College District	7,576,540	13.06%	989,723
El Rancho Undified School District	15,575,076	99.99%	15,574,141
Montebello Unified School District	700,039	0.84%	5,873
Whittier Union High School District	624,381	0.66%	4,096
Whittier City School District	671,657	2.29%	15,381
City of Pico Rivera 1915 Act Bonds	195,000	100.00%	195,000
Los Angeles County Regional Park & Open Space Assess. Distr.	1,195,940	0.34%	4,090
Total Overlapping Debt Repaid with Property Taxes			16,791,610
Overlapping General Fund Debt:			
Los Angeles County General Fund Obligations	4,751,919	0.34%	16,252
Los Angeles County Pension Obligations	3,591,333	0.34%	12,282
Los Angeles County Superintenendt of Schools COP's	81,281	0.34%	278
Montebello Unified School District COP's	199,766	83.90%	167,604
Whittier City School District COP's	207,589	2.29%	4,754
Los Angeles County Sanitation District No. 2 Authority	3,410,570	8.00%	272,743
Los Angeles County Sanitation District No. 2 Authority	71,290	0.30%	213
LESS: Los Angeles County COP's (100% self-supporting from leasehold revenues on properties in Marina Del Rey)			(189,280)
Total Net Overlapping General Fund Debt			284,846
Total direct and overlapping debt			$ 17,076,456

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Pico Rivera. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Source: California Municipal Statistics, Inc.

City of Pico Rivera
Legal Debt Margin Information
Last Four Fiscal Years

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Debt limit	$384,168,650	$418,822,326	$472,378,421	$ 520,125,810
Total net debt applicable to limit	(1,375,000)	(725,000)	(375,000)	-
Legal debt margin	$382,793,650	$418,097,326	$472,003,421	$ 520,125,810
Total net debt applicable to the limit as a percent of debt limit	0.36%	0.17%	0.08%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2005-2006:	
Assessed value	$ 3,430,416,740
Add back: exempt real property	37,088,658
Total assessed value	$ 3,467,505,398
Debt limit (15% of total assessed value)	$ 520,125,810
Debt applicable to limit	-
Legal debt margin	$ 520,125,810

Note: Under state finance law, the City of Pico Rivera 's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Pledged Revenue Bond Coverage

WATER AUTHORITY REVENUE BONDS - Last Ten Fiscal Years

Fiscal Year	Gross Revenue [1]	Rate Stabilizaton Fund [2]	Gross Expenses [3]	Net Revenue Availabe for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
1996-97	$ 4,942,218	$ 917,570	$ 2,690,091	$ 3,169,697	$ 460,000	$ 1,166,014	$ 1,626,014	194.94%
1997-98	5,383,075	972,586	2,985,633	3,370,028	485,000	1,140,028	1,625,028	207.38%
1998-99	4,744,554	600,000	2,725,892	2,618,662	-	1,612,818	1,612,818	162.37%
1999-00	5,213,611	600,000	3,059,422	2,754,189	315,000	1,329,068	1,644,068	167.52%
2000-01	6,286,912	600,000	2,944,773	3,942,139	325,000	2,127,563	2,452,563	160.74%
2001-02	7,964,666	600,000	2,956,755	5,607,911	490,000	3,786,613	4,276,613	131.13%
2002-03	8,018,375	600,000	3,252,982	5,365,393	1,005,000	3,745,313	4,750,313	112.95%
2003-04	8,052,654	600,000	2,994,587	5,658,067	1,060,000	3,687,618	4,747,618	119.18%
2004-05	8,224,873	600,000	3,629,441	5,195,432	1,120,000	3,626,479	4,746,479	109.46%
2005-06	8,067,381	600,000	3,293,731	5,373,650	1,190,000	3,560,327	4,750,327	113.12%

[1] Total Water Authority revenues

1989 TAX ALLOCATION BONDS - Four Fiscal Years

Fiscal Year	Gross Revenue [1]	Principal	Interest	Total	Coverage
1996-97	$ 9,151,409	$ 21,250,000	$ 7,010,634	$ 28,260,634	32.38%
1997-98	8,310,035	2,065,000	4,663,480	6,728,480	123.51%
1998-99	7,550,670	3,045,000	4,370,807	7,415,807	101.82%
1999-00	3,663,190	3,430,000	4,149,138	7,579,138	48.33%

[1] Total Redevelopment Agency revenues

2001 TAX ALLOCATION REFUNDING BONDS - Last Six Fiscal Years

Fiscal Year	Gross Revenue [1]	Principal	Interest	Total	Coverage
2000-01	$ 4,519,350	$ -	$ 957,816	$ 957,816	471.84%
2001-02	2,522,182	150,000	2,844,450	2,994,450	84.23%
2002-03	4,147,748	545,000	2,820,125	3,365,125	123.26%
2003-04	4,998,535	585,000	2,780,575	3,365,575	148.52%
2004-05	6,243,546	625,000	2,738,225	3,363,225	185.64%
2005-06	6,678,153	670,000	2,692,900	3,362,900	198.58%

[1] Total Redevelopment Agency revenues

(2) On May 5, 1999, the Water Fund (Enterprise Fund) activities were trasnferred to the Pico Rivera Water Anthority, a separate, legal entity managed by the City of Pico Rivera

(3) On January 30,2001, the Pico Rivera Water Authrotiy issued $40,710,000 Revenue Bonds, 2001 Series A to purchase the Pico Rivera Redevelopment Project No. 1 Tax allocation Refunding Bonds

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Demographic and Economic Statistics
Last Four Fiscal Years

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)*	Unemployment Rate (3)
2002-03	65,925	$ 905,875	$ 13,741	6.60%
2003-04	66,003	954,469	14,461	6.10%
2004-05	66,663	986,879	14,804	4.70%
2005-06	67,330	994,935	14,777	4.10%

*Based on Los Angeles County personal income data.

The City of Pico Rivera has elected to show only four years of data for this schedule.

Sources:

(1) State of California - Department of Finance
(2) U.S. Dept. of Commerce - Bureau of Economic Analysis
(3) U.S. Dept. of Labor - Bureau of Labor Statistics

City of Pico Rivera
Principal Employers
Current Fiscal Year and Ten Fiscal Years Ago

	2005-06		1995-96	
Employer	Employees	% of Total City Employment*	Employees	% of Total City Employment
El Rancho Unified School Dist.	1,194	4.16%	975	3.68%
Wal-Mart	500	1.74%	-	0.00%
City of Pico Rivera	416	1.45%	318	1.20%
Target	415	1.45%	-	0.00%
BakeMark	250	0.87%	-	0.00%
Bimbo Bakeries	225	0.78%	-	0.00%
Cintas Corporation	200	0.70%	205	0.77%
So. CA Material Handling, Inc.	195	0.68%	-	0.00%
Lowe's Home Improvement Ctr.	146	0.51%	-	0.00%
The Home Depot	145	0.51%	110	0.42%
Bay Cities Container Corp.	125	0.44%	150	0.57%
Clarklift of Los Angeles	-	0.00%	230	0.87%
Engs Motor Turck Co.	-	0.00%	100	0.38%
General Felt Industries-Pico Plant	-	0.00%	100	0.38%
K-Mart	-	0.00%	110	0.42%
Montgomery Ward	-	0.00%	130	0.49%
Northrop Corp.	-	0.00%	5,780	21.81%
Reeve Store Equipment Co.	-	0.00%	110	0.42%
Smead Manufacturing	-	0.00%	285	1.08%
Westco Products	-	0.00%	130	0.49%
Windsor Art Products	-	0.00%	105	0.40%
Total	3,811	9.70%	8,838	25.77%

* Based upon Employment Development Department's estimate of 28,700 residents employed in 2005-2006 and an estimate of 26,500 residents employed in 1995-1996.

Source: City of Pico Rivera Finance Department

City of Buena Park
Full-Time Equivalent City Employees by Function
Last Four Fiscal Years

Function	2002-03	2003-04	2004-05	2005-06
General Government	62.0	55.0	47.0	41.0
Public Safety	4.0	4.0	4.0	9.0
Public Works	46.0	45.0	47.0	42.0
Parks and Recreation	37.0	38.0	36.0	23.0
Community Development	18.0	18.0	18.0	26.0
Water	9.0	9.0	10.0	21.0
Total	176.0	169.0	162.0	162.0

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

City of Pico Rivera
Operating Indicators by Function
Last Four Fiscal Years

Function	2002-03	2003-04	2004-05	2005-06
Police:				
Calls dispatched	26,471	26,936	28,438	27,332
Crime reports	8,454	9,000	10,472	9,339
Moving citations	5,531	7,198	8,139	6,359
Parking citations	1,066	2,674	712	529
Streets and Highways:				
Asphalt repair (in tons)	(A)	(A)	(A)	1,600
Curb & gutter repair (lineal ft.)	(A)	(A)	(A)	1,000
Sidewalk repair (lineal ft.)	(A)	(A)	(A)	2,500
Traffic signals maintained	39	39	39	39
Water:				
Number of customer accounts	9,391	9,402	9,397	9,400
Average daily consumption (millions of gallons)	22,977	24,749	23,717	27,603
Water samples taken (annual)	841	867	895	919
Sewers:				
Feet of sewer mains root cut/chemically treated	11	11	11	11
Maintenance:				
Square ft. graffiti removal	(A)	(A)	(A)	950,000
Streetsweeping miles	1,174	1,174	1,174	1,174
Trees pruned per year	306	2,137	2,619	6,157
Culture and Recreation:				
Youth sports	900	907	861	478
Aquatics	18,123	15,003	17,027	15,597
Picnic rentals	-	-	-	-
Recreation classes	36,000	27,352	22,640	16,604
Senior Center participants	9,091	9,256	8,684	9,602

(A) Information is not available

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department

City of
Capital Asset Statistics by Function
Last Four Fiscal Years

Function	2002-03	2003-04	2004-05	2005-06
Public Safety:				
Police stations	1	1	1	1
Number of patrol units	12	12	12	13
Highways and Streets:				
Miles of streets	115.2	115.2	115.2	115.2
Traffic Signals	39	39	39	39
Water:				
Number of active water wells	10	10	10	10
Number of reservoirs	3	3	3	3
Miles of lines & mains	98	98	98	98
Sewer:				
Miles of sanitary sewers	110	110	110	110
Miles of flood control channel	17	17	17	17
Culture and Recreation:				
Number of parks	7	7	7	7
Number of community centers	5	5	5	5

The City of Pico Rivera has elected to show only four years of data for this schedule.

Source: City of Pico Rivera Finance Department