

**CITY OF SOUTH EL MONTE**  
**FINANCIAL STATEMENTS**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**YEAR ENDED JUNE 30, 2018**

**Prepared by:**  
**Finance Department**

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**CITY OF SOUTH EL MONTE**  
**For the Fiscal Year Ended June 30, 2018**  
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**For the Fiscal Year Ended June 30, 2018**  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of the City Council  
of the City of South El Monte  
South El Monte, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South El Monte (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South El Monte, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1E and 11 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which required retrospective application resulting in a reduction of previously reported net position. Also as discussed in Note 15 to the financial statements, net positions and fund balances as of July 1, 2017 were restated. Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of the City's proportionate share of the net pension liability, schedule of plan contributions, schedule of changes in the total OPEB liability and related ratios, budgetary comparison schedules for the general and major special revenue funds, and the notes to the required supplementary information, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedule for the Capital Improvement capital projects fund, the combining and individual other governmental fund financial statements and schedules (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the Supplementary Information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019, on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.

*White Nelson Diehl Evans LLP*

Irvine, California  
September 9, 2019

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## **BASIC FINANCIAL STATEMENTS**

CITY OF SOUTH EL MONTE  
STATEMENT OF NET POSITION

June 30, 2018

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS:</b>                                      |                            |
| Cash and investments                                | \$ 9,057,381               |
| Receivables:  |                            |
| Accounts  | 161,608                    |
| Taxes   | 1,205,386                  |
| Interests   | 24,070                     |
| Loans and note                                      | 6,552,858                  |
| Due from other governments                          | 456,105                    |
| Prepaid costs                                       | 88,354                     |
| Capital assets:                                     |                            |
| Non-depreciable assets                              | 5,577,254                  |
| Depreciable assets, net of accumulated depreciation | 13,639,454                 |
| TOTAL ASSETS  | 36,762,470                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>              |                            |
| Deferred amounts on OPEB plan                       | 46,814                     |
| Deferred amounts on pension plans                   | 2,219,251                  |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                | 2,266,065                  |
| <b>LIABILITIES:</b>                                 |                            |
| Accounts payable                                    | 1,246,377                  |
| Other accrued liabilities                           | 107,627                    |
| Wages payable                                       | 172,031                    |
| Long-term liabilities:                              |                            |
| Due within one year                                 | 320,362                    |
| Due in more than one year                           | 2,272,480                  |
| Net OPEB liability, due in more than one year       | 1,576,627                  |
| Net pension liability, due in more than one year    | 7,727,031                  |
| TOTAL LIABILITIES                                   | 13,422,535                 |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>               |                            |
| Deferred amounts on pension plans                   | 448,889                    |
| TOTAL DEFERRED INFLOWS OF RESOURCES                 | 448,889                    |
| <b>NET POSITION:</b>                                |                            |
| Net investment in capital assets                    | 16,836,392                 |
| Restricted:   |                            |
| Community programs                                  | 71,715                     |
| Community development                               | 16,718                     |
| Public works  | 4,524,155                  |
| Housing programs                                    | 7,027,323                  |
| Unrestricted  | (3,319,192)                |
| TOTAL NET POSITION                                  | \$ 25,157,111              |

See accompanying notes to basic financial statements.

CITY OF SOUTH EL MONTE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

| Functions/Programs                                   | Expenses             | Program Revenues           |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|--|----------------------|----------------------------|--|--|--|
|  |                      | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| Governmental activities:                             |                      |                            |  |  |  |
| General government                                   | \$ 3,773,053         | \$ 588,417                 | \$ -                                     | \$ -                                   | \$ (3,184,636)   |
| Public safety  | 5,585,982            | 234,187                    | 423,590                                  | -                                      | (4,928,205)  |
| Community development                                | 4,013,280            | 52,406                     | 524,720                                  | 246,743                                | (3,189,411)  |
| Public works   | 3,368,705            | 35,576                     | 630,004                                  | 1,797,284                              | (905,841)  |
| Community service programs                           | 4,089,294            | 1,026,557                  | 650,702                                  | -                                      | (2,412,035)  |
| Interest on long-term debt                           | 55,544               | -                          | -  | -                                      | (55,544)   |
| <b>Total governmental activities</b>                 | <b>\$ 20,885,858</b> | <b>\$ 1,937,143</b>        | <b>\$ 2,229,016</b>                      | <b>\$ 2,044,027</b>                    | <b>(14,675,672)</b>  |
| General revenues:                                    |                      |                            |  |  |  |
| Taxes:   |                      |                            |  |  |  |
| Property taxes, levied for general purpose           |                      |                            |  |  | 896,332  |
| Transient occupancy taxes                            |                      |                            |  |  | 191,636  |
| Franchise taxes                                      |                      |                            |  |  | 798,954  |
| Sales taxes  |                      |                            |  |  | 6,858,448  |
| Motor vehicle in lieu tax                            |                      |                            |  |  | 2,343,267  |
| Investment income                                    |                      |                            |  |  | 76,073   |
| Other  |                      |                            |  |  | 200,367  |
| <b>Total general revenues</b>                        |                      |                            |  |  | <b>11,365,077</b>  |
| <b>Change in net position</b>                        |                      |                            |  |  | <b>(3,310,595)</b>   |
| <b>Net Position - Beginning of Year, as Restated</b> |                      |                            |  |  | <b>28,467,706</b>  |
| <b>Net Position - End of Year</b>                    |                      |                            |  |  | <b>\$ 25,157,111</b>   |

See accompanying notes to basic financial statements.

CITY OF SOUTH EL MONTE

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2018

|   | General<br>Fund     | Special Revenue     |                     |
|---|---------------------|---------------------|---------------------|
|   |                     | CalHOME<br>Grant    | Sewer<br>Assessment |
| <b>ASSETS</b>   |                     |                     |                     |
| Cash and investments  | \$ 4,237,194        | \$ 252,652          | \$ 1,978,544        |
| Receivables:  |                     |                     |                     |
| Accounts  | 1,299               | -                   | 8,594               |
| Taxes   | 1,205,386           | -                   | -                   |
| Interest  | 24,070              | -                   | -                   |
| Loans   | -                   | 1,729,588           | -                   |
| Due from other governments  | 88,289              | -                   | -                   |
| Due from other funds  | 8,695               | -                   | -                   |
| Prepays   | 88,354              | -                   | -                   |
| <b>TOTAL ASSETS</b>   | <b>\$ 5,653,287</b> | <b>\$ 1,982,240</b> | <b>\$ 1,987,138</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                     |                     |                     |
| <b>LIABILITIES:</b>   |                     |                     |                     |
| Accounts payable  | \$ 868,919          | \$ -                | \$ 11,019           |
| Other accrued liabilities   | 88,978              | 39                  | 96                  |
| Wages payable   | 148,235             | 641                 | 2,575               |
| Due to other funds  | 38,598              | -                   | -                   |
| <b>TOTAL LIABILITIES</b>  | <b>1,144,730</b>    | <b>680</b>          | <b>13,690</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |                     |                     |                     |
| Unavailable revenue   | 88,289              | -                   | -                   |
| <b>FUND BALANCES:</b>   |                     |                     |                     |
| Nonspendable  | 88,354              | -                   | -                   |
| Restricted  | -                   | 1,981,560           | 1,973,448           |
| Unassigned  | 4,331,914           | -                   | -                   |
| <b>TOTAL FUND BALANCES</b>  | <b>4,420,268</b>    | <b>1,981,560</b>    | <b>1,973,448</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <b>\$ 5,653,287</b> | <b>\$ 1,982,240</b> | <b>\$ 1,987,138</b> |

See accompanying notes to basic financial statements.

| Special Revenue<br>(Continued) | Capital Projects       | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|------------------------|--------------------------------|--------------------------------|
| Housing<br>Successor           | Capital<br>Improvement |                                |                                |
| \$ 105,240                     | \$ 629,737             | \$ 1,854,014                   | \$ 9,057,381                   |
| 117,574                        | -                      | 34,141                         | 161,608                        |
| -                              | -                      | -                              | 1,205,386                      |
| -                              | -                      | -                              | 24,070                         |
| 4,571,270                      | -                      | 252,000                        | 6,552,858                      |
| -                              | 345,669                | 22,147                         | 456,105                        |
| -                              | -                      | 38,598                         | 47,293                         |
| -                              | -                      | -                              | 88,354                         |
| <u>\$ 4,794,084</u>            | <u>\$ 975,406</u>      | <u>\$ 2,200,900</u>            | <u>\$ 17,593,055</u>           |
| \$ 321                         | \$ 186,063             | \$ 180,055                     | \$ 1,246,377                   |
| -                              | -                      | 18,514                         | 107,627                        |
| -                              | -                      | 20,580                         | 172,031                        |
| -                              | -                      | 8,695                          | 47,293                         |
| <u>321</u>                     | <u>186,063</u>         | <u>227,844</u>                 | <u>1,573,328</u>               |
| -                              | 231,393                | 22,147                         | 341,829                        |
| -                              | -                      | -                              | 88,354                         |
| 4,793,763                      | 557,950                | 1,991,361                      | 11,298,082                     |
| -                              | -                      | (40,452)                       | 4,291,462                      |
| <u>4,793,763</u>               | <u>557,950</u>         | <u>1,950,909</u>               | <u>15,677,898</u>              |
| <u>\$ 4,794,084</u>            | <u>\$ 975,406</u>      | <u>\$ 2,200,900</u>            | <u>\$ 17,593,055</u>           |

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CITY OF SOUTH EL MONTE

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

June 30, 2018

|   |                     |                             |
|---|---------------------|-----------------------------|
| Fund balances for governmental funds  |                     | \$ 15,677,898               |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                     |                             |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund financial statements.  |                     |                             |
| Capital assets not being depreciated  | \$ 5,577,254        |                             |
| Capital assets being depreciated  | 33,205,230          |                             |
| Accumulated depreciation  | <u>(19,565,776)</u> | 19,216,708                  |
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements. Long-term liabilities consist of the following:  |                     |                             |
| Compensated absences  | (212,526)           |                             |
| Capital lease   | (162,348)           |                             |
| Loan payable  | <u>(2,217,968)</u>  | (2,592,842)                 |
| Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.                  |                     |                             |
| Deferred outflows of resources  | 2,219,251           |                             |
| Deferred inflows of resources   | (448,889)           |                             |
| Net pension liability   | <u>(7,727,031)</u>  | (5,956,669)                 |
| Other post-employment benefit (OPEB) debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities. |                     |                             |
| Deferred outflows of resources  | 46,814              |                             |
| Net OPEB liability  | <u>(1,576,627)</u>  | (1,529,813)                 |
| Receivables that are measurable but not available are recorded as deferred inflows of resources under the modified accrual basis of accounting.   |                     | <u>341,829</u>              |
| Net position of governmental activities   |                     | <u><u>\$ 25,157,111</u></u> |

CITY OF SOUTH EL MONTE

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

For the year ended June 30, 2018

|   | General<br>Fund     | Special Revenue     |                     |
|---|---------------------|---------------------|---------------------|
|   |                     | CalHOME<br>Grant    | Sewer<br>Assessment |
| REVENUES:   |                     |                     |                     |
| Taxes   | \$ 11,176,507       | \$ -                | \$ -                |
| Licenses and permits                              | 1,190,157           | -                   | -                   |
| Fines and forfeitures                             | 253,925             | -                   | -                   |
| Use of money and property                         | 143,133             | 213                 | 3,278               |
| Charges for services                              | 314,216             | -                   | -                   |
| Special assessments                               | -                   | -                   | 394,238             |
| Intergovernmental                                 | 818,705             | 411,863             | -                   |
| Other revenues                                    | 182,032             | 47                  | -                   |
| <b>TOTAL REVENUES</b>                             | <b>14,078,675</b>   | <b>412,123</b>      | <b>397,516</b>      |
| EXPENDITURES:                                     |                     |                     |                     |
| Current:  |                     |                     |                     |
| General government                                | 3,502,562           | -                   | -                   |
| Public safety                                     | 5,162,667           | -                   | -                   |
| Community development                             | 1,635,165           | -                   | -                   |
| Public works/utilities                            | 1,403,924           | -                   | 96,625              |
| Community services programs                       | 2,050,389           | 386,681             | -                   |
| Capital outlay                                    | -                   | -                   | -                   |
| Debt service:                                     |                     |                     |                     |
| Principal   | 148,623             | -                   | -                   |
| Interest  | 55,544              | -                   | -                   |
| <b>TOTAL EXPENDITURES</b>                         | <b>13,958,874</b>   | <b>386,681</b>      | <b>96,625</b>       |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES   | 119,801             | 25,442              | 300,891             |
| OTHER FINANCING SOURCES (USES):                   |                     |                     |                     |
| Transfers in                                      | 85,268              | -                   | -                   |
| Transfers out                                     | (165,260)           | -                   | -                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <b>(79,992)</b>     | <b>-</b>            | <b>-</b>            |
| <b>NET CHANGE IN FUND BALANCE</b>                 | <b>39,809</b>       | <b>25,442</b>       | <b>300,891</b>      |
| FUND BALANCES - BEGINNING OF YEAR,<br>AS RESTATED | 4,380,459           | 1,956,118           | 1,672,557           |
| <b>FUND BALANCES - END OF YEAR</b>                | <b>\$ 4,420,268</b> | <b>\$ 1,981,560</b> | <b>\$ 1,973,448</b> |

See accompanying notes to basic financial statements.

| Special Revenue<br>(Continued) |                        | Capital Projects    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|------------------------|---------------------|--------------------------------|--------------------------------|
| Housing<br>Successor           | Capital<br>Improvement |                     |                                |                                |
| \$ -                           | \$ -                   | \$ 266,591          | \$ 11,443,098                  |                                |
| -                              | -                      | -                   | 1,190,157                      |                                |
| -                              | -                      | -                   | 253,925                        |                                |
| 13                             | 62                     | 2,782               | 149,481                        |                                |
| -                              | -                      | 5,663               | 319,879                        |                                |
| -                              | -                      | -                   | 394,238                        |                                |
| -                              | 116,518                | 2,075,955           | 3,423,041                      |                                |
| 321                            | -                      | 7,833               | 190,233                        |                                |
| <u>334</u>                     | <u>116,580</u>         | <u>2,358,824</u>    | <u>17,364,052</u>              |                                |
| -                              | -                      | -                   | 3,502,562                      |                                |
| -                              | -                      | 184,420             | 5,347,087                      |                                |
| 2,175,932                      | -                      | 29,690              | 3,840,787                      |                                |
| -                              | -                      | 900,668             | 2,401,217                      |                                |
| -                              | -                      | 846,684             | 3,283,754                      |                                |
| -                              | 799,233                | 5,547               | 804,780                        |                                |
| -                              | -                      | -                   | 148,623                        |                                |
| -                              | -                      | -                   | 55,544                         |                                |
| <u>2,175,932</u>               | <u>799,233</u>         | <u>1,967,009</u>    | <u>19,384,354</u>              |                                |
| <u>(2,175,598)</u>             | <u>(682,653)</u>       | <u>391,815</u>      | <u>(2,020,302)</u>             |                                |
| -                              | 289,841                | 176,880             | 551,989                        |                                |
| -                              | -                      | (386,729)           | (551,989)                      |                                |
| -                              | 289,841                | (209,849)           | -                              |                                |
| (2,175,598)                    | (392,812)              | 181,966             | (2,020,302)                    |                                |
| <u>6,969,361</u>               | <u>950,762</u>         | <u>1,768,943</u>    | <u>17,698,200</u>              |                                |
| <u>\$ 4,793,763</u>            | <u>\$ 557,950</u>      | <u>\$ 1,950,909</u> | <u>\$ 15,677,898</u>           |                                |

CITY OF SOUTH EL MONTE

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, 2018

|  |                    |                       |
|--|--------------------|-----------------------|
| Net change in fund balances - total governmental funds   |                    | \$ (2,020,302)        |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>  |                    |                       |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as a depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. The activity is reconciled as follows:</p>                                 |                    |                       |
| Cost of assets capitalized   | \$ 842,756         |                       |
| Depreciation expense   | <u>(1,716,938)</u> | (874,182)             |
| <p>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 position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p> |                    |                       |
| Principal payments   |                    | 148,623               |
| <p>Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources.</p>   |                    |                       |
|  |                    | (843,508)             |
| <p>OPEB expense reported in the governmental funds includes the premiums paid. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources</p>   |                    |                       |
|  |                    | (41,599)              |
| <p>Some expenses reported in the Statement of Activities utilize current financial resources but are not expensed in the Statement of Activities until due.</p>  |                    |                       |
| Compensated absences   |                    | 109,162               |
| <p>Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.</p>  |                    |                       |
|  |                    | <u>211,211</u>        |
| Change in net position of governmental activities  |                    | <u>\$ (3,310,595)</u> |

CITY OF SOUTH EL MONTE  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS

June 30, 2018

|   | Successor<br>Agency<br>Private-purpose<br>Trust Fund <hr style="border: 0.5px solid black;"/> |
|---|---|
| <b>ASSETS:</b>                                  |   |
| Cash and investments                            | \$ 1,850,987  |
| Restricted assets:                              |   |
| Cash and investments with fiscal agents         | <hr style="border: 0.5px solid black;"/> 2,352,176  |
| <b>TOTAL ASSETS</b>                             | <hr style="border: 0.5px solid black;"/> <b>4,203,163</b>                                     |
| <b>LIABILITIES:</b>                             |   |
| Accounts payable and accrued liabilities        | 8,734   |
| Interest payable                                | 496,732   |
| Bonds payable                                   |   |
| Due within one year                             | 1,095,000   |
| Due in more than one year                       | <hr style="border: 0.5px solid black;"/> 26,890,442   |
| <b>TOTAL LIABILITIES</b>                        | <hr style="border: 0.5px solid black;"/> <b>28,490,908</b>                                    |
| <b>NET POSITION:</b>                            |   |
| Net position held in trust for Successor Agency | <hr style="border: 0.5px solid black;"/> <b>\$ (24,287,745)</b>                               |

CITY OF SOUTH EL MONTE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

For the year ended June 30, 2018

|   | Successor<br>Agency<br>Private-purpose<br>Trust Fund |
|---|--|
| ADDITIONS:                                    |  |
| Property tax revenue                          | \$ 2,414,594   |
| Interest income                               | <u>24,054</u>  |
| TOTAL ADDITIONS                               | <u>2,438,648</u>                                     |
| DEDUCTIONS:                                   |  |
| Administrative expenses                       | 220,922  |
| Interest expense                              | 1,204,509  |
| Loss on sale of property                      | 1,106,220  |
| Pass-through to County                        | <u>1,103,502</u>                                     |
| TOTAL DEDUCTIONS                              | <u>3,635,153</u>                                     |
| CHANGE IN NET POSITION                        | (1,196,505)  |
| NET POSITION - BEGINNING OF YEAR, AS RESTATED | <u>(23,091,240)</u>                                  |
| NET POSITION - END OF YEAR                    | <u>\$ (24,287,745)</u>                               |

See accompanying notes to basic financial statements.

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the City of South El Monte conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

**A) Reporting Entity**

The reporting entity “City of South El Monte” includes all the accounts of the City. The City was incorporated on July 30, 1958 as a general law city and operates under a Council/Manager form of government.

Currently, there are no components required to be reported.

**B) Basis of Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liability, deferred inflows of resources, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following are types of funds used:

Governmental Fund Types:

- General Fund - Used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.
- Capital Projects Funds - Used to account for financial resources used for the construction of specific capital projects.

Fiduciary Fund Types:

- Private-purpose Trust Funds - Used to account for the wind-down of the former South El Monte Business Improvement District.

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements**

The City’s government-wide financial statements include a Statement of Net Position and a Statement of Activities including changes in net position. These statements present summaries of Governmental Activities for the City and include all non-fiduciary activities of the City. The City has no business-type activities.

These statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Accrual basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Government-Wide Financial Statements (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

- 1) Charges for services
- 2) Operating grants and contributions
- 3) Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Certain eliminations have been made to interfund transfers, payables, and receivables. All internal balances in the government-wide statements have been eliminated.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met qualifications of GASB Statement No. 34.

All governmental funds are accounted for on a spending or *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheets. The reported fund balance is considered to be a measure of “available spendable resources.” The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Governmental Fund Financial Statements (Continued)**

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both *measurable* and *available*. *Measurable* means that the amount of the transaction can be determined and *available* means that the amounts were collected during the current period or soon enough thereafter to finance expenditures of the current period. Accrued revenues include property taxes received within 60 days after year-end, taxpayer assessed taxes, and earnings on investments. The City considers sales tax revenues to be "available" when received within 90 days after year-end. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as unearned revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Fiduciary Funds**

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary private-purpose trust fund is accounted for using the economic resources measurement focus and accrual basis of accounting. The private-purpose trust fund accounts for the assets held by the City for the Successor Agency to the South El Monte Business Improvement District. These funds are not available for use by the City. As such, fiduciary funds are not included in the governmental-wide statements.

**D) Fund Classifications**

The City reports the following major governmental funds:

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

The *CalHOME Grant Special Revenue Fund* is used to account for grant money restricted for the HOME Investment Partnership grant.

The *Sewer Assessment Special Revenue Fund* is used to account for tax assessments received for improvement of the sewer infrastructure of the City.

The *Housing Successor Special Revenue Fund* is used to account for the housing activities of the former Community Development Commission of the South El Monte Business Improvement District. Funding sources consist primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community's supply of low and moderate income housing.

The *Capital Improvement Fund* is used to account for the financial resources allocated for capital improvement projects.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements**

**Current Year Standards**

In fiscal year 2017-2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased the net position at July 1, 2017 of the governmental activities by \$978,114

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the City

**Pending Accounting Standards**

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

**F) Property Taxes**

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes, which are received from the county within 60 days after year-end.

|                  |                           |
|------------------|---------------------------|
| Lien Date:       | January 1                 |
| Due Date:        | November 1 and February 1 |
| Delinquent Date: | December 10 and April 10  |

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G) Cash and Investments**

Investments are reported in the accompanying basic financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in external pools are valued based on the stated fair value represented by the external pool. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

**H) Capital Assets**

Capital assets, which include land, machinery and equipment (vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, etc.), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets received prior to the implementation of GASB Statement No. 72 were recorded at fair value on the date of donation. Donated capital assets are recorded at acquisition value as of the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful lives of the assets as follows:

|                                   |                 |
|-----------------------------------|-----------------|
| Buildings and improvements        | 15 to 50 years  |
| Vehicles, computers and equipment | 3 to 10 years   |
| Infrastructure:                   |                 |
| Roadway networks                  | 10 to 100 years |
| Storm drain network               | 30 to 100 years |
| Parks and recreation network      | 25 years        |

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the year of implementation (2002-2003). Infrastructure assets include roads, bridges, sidewalks, park improvements, traffic signals, etc. The retroactive reporting of infrastructure (assets acquired prior to July 1, 2002) is optional for Phase III Governments. The City is a Phase III Government and has elected not to retroactively report infrastructure. Infrastructure is reported on a prospective basis from the year of implementation.

**I) Employee Compensated Absences**

City employees accumulate vacation hours, which may be paid upon termination, death or retirement. Employees may accrue up to 320 hours of vacation leave to be carried from year to year. Employees can accumulate unlimited hours of sick leave. Upon termination, death or retirement, all employees with at least one full year of employment are compensated a designated percentage of unused sick leave based on their length of service with the City. The amount of compensate absences not expected to be paid from current available resources is accounted for as long-term liabilities within the statement of net position.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J) Claims and Judgments**

The City's self-insurance program is administered through the California Joint Powers Insurance Authority (CJPIA), which is described in Note 12. The CJPIA is a public entity risk pool. Claim losses recorded in the CJPIA include both current claims and incurred but not reported claims (IBNR). Deposits to the CJPIA are recorded by the City as insurance expenditures in the General Fund when paid. Favorable claims experience results in a refund of deposits from the CJPIA and such refunds, if any, are recorded as a reduction of insurance expenditures in the year received. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

**K) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period and so will not be recognized as an outflow of resources (expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB plan equal to employer contributions made after the measurement date of the net pension liability and total OPEB liability, respectively.
- Deferred outflows related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred outflows related to pension plans for the changes in the employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred outflows related to pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred outflows related to pensions resulting from the difference between projected and actual earnings on plan investments of the pension plans fiduciary net position. These amounts are amortized over five years.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K) Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to pension plans for the changes in the employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plan.

**L) Net Position**

In the government-wide financial statements and fiduciary fund statements utilize a net position presentation. Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City that is not externally restricted for any project or other purpose.

**M) Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

**N) Fund Balance**

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by a City Council ordinance or resolution to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Councils' action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

**O) Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of South El Monte's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**P) Use of Estimates**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments as of June 30, 2018 are reported as follows:

|  |                      |
|--|----------------------|
| Government-Wide Statement of Net Position: |                      |
| Cash and investments                       | \$ 9,057,381         |
| Fiduciary Funds Statement of Net Position: |                      |
| Cash and investments                       | 1,850,987            |
| Cash and investments with fiscal agents    | 2,352,176            |
| Total cash and investments                 | <u>\$ 13,260,544</u> |
|  |                      |
| Cash on hand                               | 2,250                |
| Deposits with financial institutions       | 5,833,524            |
| Investments                                | 7,424,770            |
| Total cash and investments                 | <u>\$ 13,260,544</u> |

**Investments Authorized by 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.

| Authorized Investment Type            | Maximum<br>Maturity* | Maximum<br>Percentage of<br>Portfolio* | Maximum Investment<br>in One Issuer* |
|---------------------------------------|----------------------|--|--------------------------------------|
| State and Local Agency Bonds          | 5 years              | 25%                                    | 5%                                   |
| U.S. Treasury Obligations             | 5 years              | None                                   | None                                 |
| U.S. Government Agency Securities     | 5 years              | None                                   | None                                 |
| Banker's Acceptance                   | 180 days             | 15%                                    | 30%                                  |
| Commercial Paper                      | 270 days             | 25%                                    | 10%                                  |
| Negotiable Certificates of Deposit    | 2 years              | 30%                                    | 30%                                  |
| Nonnegotiable Certificates of Deposit | 2 years              | 30%                                    | None                                 |
| Repurchase Agreements                 | 7 days               | 20%                                    | None                                 |
| Medium-Term Notes                     | 3 years              | 30%                                    | None                                 |
| Mutual Funds                          | None                 | 20%                                    | 10%                                  |
| Money Market Mutual Funds             | None                 | 20%                                    | None                                 |
| Mortgage Pass-Through Securities      | 5 years              | 20%                                    | None                                 |
| County Pool Investment Funds          | 5 years              | None                                   | None                                 |
| Joint Powers Authority Pool           | None                 | None                                   | None                                 |
| Local Agency Investment Fund (LAIF)   | None                 | None                                   | \$65 million                         |
| Passbook Savings Account              | 5 years              | None                                   | FDIC insured amount                  |

\*Based on state law requirements or the City's investment policy requirements, whichever is more restrictive.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Investments Authorized by Debt Agreements**

Investments 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. These provisions do not specify limitation on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

**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. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) 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) |                    |                      | Total               |
|-------------------------------------|--------------------------------|--------------------|----------------------|---------------------|
|                                     | 12 Months<br>or Less           | 13 to 24<br>Months | 25 Months<br>or More |                     |
| Local Agency Investment Fund (LAIF) | \$ 5,072,593                   | \$ -               | \$ -                 | \$ 5,072,593        |
| Held by Fiscal Agents:              |                                |                    |                      |                     |
| Money Market Funds                  | 2,352,177                      | -                  | -                    | 2,352,177           |
| Total                               | <u>\$ 7,424,770</u>            | <u>\$ -</u>        | <u>\$ -</u>          | <u>\$ 7,424,770</u> |

**Disclosures Relating to Credit Risk**

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

| Investment Type                     | Total as of<br>June 30, 2018 | Minimum<br>Legal Rating | Not Required to be Rated |                     |
|-------------------------------------|------------------------------|-------------------------|--------------------------|---------------------|
|                                     |                              |                         | AAA                      |                     |
| Local Agency Investment Fund (LAIF) | \$ 5,072,593                 | N/A                     | \$ -                     | \$ 5,072,593        |
| Held by Fiscal Agents:              |                              |                         |                          |                     |
| Money Market Funds                  | 2,352,177                    | N/A                     | 2,352,177                | -                   |
| Total                               | <u>\$ 7,424,770</u>          |                         | <u>\$ 2,352,177</u>      | <u>\$ 5,072,593</u> |

**Concentration of Credit Risk**

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2018, there were no investments in any one issuer that represent five percent or more of the City's total investments.

***NOTE 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2018, none of the City's deposits with financial institutions in excess of the federal depository insurance limits were held in uncollateralized accounts.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Investment in State Investment Pool**

The City is a voluntary participant in the LAIF that is regulated by the California Government Code 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 the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operation and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

**Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices of similar assets in active markets; Level 3 inputs are significant unobservable inputs. The City's investment in LAIF and investments held by fiscal agents in money market funds is not subject to the fair value measurement hierarchy.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 3 - INTERFUND TRANSACTIONS**

**Interfund Balances**

Interfund balances as of June 30, 2018 are as follows:

|                          | DUE FROM         |                          | Total            |
|--------------------------|------------------|--------------------------|------------------|
|                          | General Fund     | Other Governmental Funds |                  |
| <b>DUE TO</b>            |                  |                          |                  |
| General Fund             | \$ -             | \$ 8,695                 | \$ 8,695         |
| Other Governmental Funds | 38,598           | -                        | 38,598           |
| Total                    | <u>\$ 38,598</u> | <u>\$ 8,695</u>          | <u>\$ 47,293</u> |

The interfund balances totaling \$8,695 from the Other Governmental Funds to the General Fund is to cover operating cash deficits in the current year. These deficits are expected to be repaid during the 2018-19 fiscal year. The \$38,598 due from the General Fund to the Other Governmental Fund - Gas tax Fund is from disallowed gas tax expenditures as a result of the California State Controller's Office review in prior years. These are expected to be repaid over the next year through offsetting charges previously paid by the General Fund to be paid by the Gas Tax Fund.

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2018 are as follows:

|                          | TRANSFERS IN     |                          |                          | Total             |
|--------------------------|------------------|--------------------------|--------------------------|-------------------|
|                          | General Fund     | Capital Improvement Fund | Other Governmental Funds |                   |
| <b>TRANSFERS OUT</b>     |                  |                          |                          |                   |
| General Fund             | \$ -             | \$ 2,052                 | \$ 163,208               | \$ 165,260        |
| Other Governmental Funds | 85,268           | 287,789                  | 13,672                   | 386,729           |
| Total                    | <u>\$ 85,268</u> | <u>\$ 289,841</u>        | <u>\$ 176,880</u>        | <u>\$ 551,989</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization or grant matching requirements.

The General Fund and Other Governmental Funds transferred \$2,052 and \$287,789, respectively, to the Capital Improvement Fund to cover various project costs. The Other Governmental Funds transferred \$85,268 to the General Fund to cover operating costs. In addition, the General Fund transferred \$163,208 to the Other Governmental Funds to cover operating costs. Other Governmental Funds transferred \$13,672 to other Governmental funds to cover various project costs.

***NOTE 4 - DOWN PAYMENT ASSISTANCE AND HOME REHABILITATION GRANTS***

The former South El Monte Business Improvement District (District) operated First-Time Homebuyer and Home Rehabilitation Programs that provided silent second down payment or home rehabilitation assistance grants to residents who meet certain qualifications for the purpose of providing assistance to low-moderate income households. The grants are secured by a deed of trust and no monthly payments are required. At the end of the term, which ranges from 10 to 20 years, the grants are forgiven unless the following occurs during the grant term; 1) property is sold or transferred, 2) property is no longer owner-occupied, or 3) property is refinanced at which time full repayment would be required. The purpose of the grants is to provide low-moderate income households with homeownership or home rehabilitation assistance with no intent of recovering the grant. The receivables related to these grants are in the Housing Successor special revenue fund. The balance of the loans receivable at June 30, 2018 was \$211,270, which includes gross receivables of \$1,408,468 and an allowance for uncollectible accounts of \$1,197,198.

In addition, the City operates the BEGIN Grant and CalHOME Grant special revenue funds which also provide for down payment assistance and home rehabilitation loans for low to moderate income residents. The amount of the loans outstanding in these funds at year-end is \$252,000 and \$1,729,588, respectively.

***NOTE 5 - OWNER PARTICIPATION AGREEMENTS***

In December 2017, the City sold land to a developer with a cost of \$6,515,875 in exchange for a note in the amount of \$4,360,000 resulting in a loss on sale of property in the amount of \$2,155,875 reported in the Housing Successor Special Revenue Fund. The land sold was originally purchased by the former South El Monte Business District and was transferred to the Housing Successor when the City when took over the housing functions of the former District under AB x1 26. The note is subject to a regulatory agreement and a disposition and development agreement dated April 8, 2014 and amended October 24, 2017. The payment on the note is accelerated and due to the City if the developer is in default of the regulatory agreement, however one twelfth of the principal amount is forgiven upon the sale of each of the twelve assisted units provided that no default, as defined in the regulatory agreement, by the developer occurs. The receivable related to this loan is in the Housing Successor special revenue fund and the balance at June 30, 2018 was \$4,360,000.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2018 is as follows:

|   | <u>July 1, 2017,<br/>as Restated</u> | <u>Additions</u>   | <u>Deletions/<br/>Transfers</u> | <u>Balance at<br/>June 30, 2018</u> |
|---|--------------------------------------|--------------------|---------------------------------|-------------------------------------|
| <b>Governmental Activities</b>                  |                                      |                    |                                 |                                     |
| Capital assets, not depreciated:                |                                      |                    |                                 |                                     |
| Land  | \$ 3,126,512                         | \$ -               | \$ -                            | \$ 3,126,512                        |
| Construction in progress                        | <u>2,805,701</u>                     | <u>882,690</u>     | <u>(1,237,649)</u>              | <u>2,450,742</u>                    |
| Total capital assets,<br>not being depreciated  | <u>5,932,213</u>                     | <u>882,690</u>     | <u>(1,237,649)</u>              | <u>5,577,254</u>                    |
| Capital assets, being depreciated:              |                                      |                    |                                 |                                     |
| Buildings and improvements                      | 16,868,180                           | 265,461            | -                               | 17,133,641                          |
| Vehicles  | 1,784,242                            | 30,590             | (28,889)                        | 1,785,943                           |
| Machinery and equipment                         | 787,155                              | 46,529             | -                               | 833,684                             |
| Infrastructure                                  |                                      |                    |                                 |                                     |
| Roadway system                                  | <u>12,596,827</u>                    | <u>855,135</u>     | <u>-</u>                        | <u>13,451,962</u>                   |
| Total capital assets,<br>being depreciated      | <u>32,036,404</u>                    | <u>1,197,715</u>   | <u>(28,889)</u>                 | <u>33,205,230</u>                   |
| Less accumulated depreciation for:              |                                      |                    |                                 |                                     |
| Buildings and improvements                      | (9,343,696)                          | (686,839)          | -                               | (10,030,535)                        |
| Vehicles  | (1,577,891)                          | (70,974)           | 28,889                          | (1,619,976)                         |
| Machinery and equipment                         | (557,970)                            | (67,811)           | -                               | (625,781)                           |
| Infrastructure                                  |                                      |                    |                                 |                                     |
| Roadway system                                  | <u>(6,398,170)</u>                   | <u>(891,314)</u>   | <u>-</u>                        | <u>(7,289,484)</u>                  |
| Total accumulated depreciation                  | <u>(17,877,727)</u>                  | <u>(1,716,938)</u> | <u>28,889</u>                   | <u>(19,565,776)</u>                 |
| Total capital assets,<br>being depreciated, net | <u>14,158,677</u>                    | <u>(519,223)</u>   | <u>-</u>                        | <u>13,639,454</u>                   |
| Governmental Activities<br>capital assets, net  | <u>\$ 20,090,890</u>                 | <u>\$ 363,467</u>  | <u>\$ (1,237,649)</u>           | <u>\$ 19,216,708</u>                |

Land as of July 1, 2017 was restated from \$956,100 to \$3,126,512. See Note 15.

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

|                            | <u>Governmental<br/>Activities</u> |
|----------------------------|------------------------------------|
| General Government         | \$ 122,588                         |
| Public safety              | 13,101                             |
| Public works               | 904,070                            |
| Community development      | 10,307                             |
| Community services         | 569,874                            |
| Recreation                 | 96,998                             |
| Total depreciation expense | <u>\$ 1,716,938</u>                |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 7 - LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2018 is as follows:

|                                 | Balance<br>July 1, 2017 | Additions         | Deletions           | Balance<br>June 30, 2018 | Within<br>One Year |
|---------------------------------|-------------------------|-------------------|---------------------|--------------------------|--------------------|
| <b>Governmental Activities:</b> |                         |                   |                     |                          |                    |
| Compensated absences            | \$ 321,688              | \$ 395,959        | \$ (505,121)        | \$ 212,526               | \$ 144,777         |
| Capital lease - energy retrofit | 221,835                 | -                 | (59,487)            | 162,348                  | 62,525             |
| ERCDC loan payable              | 2,307,104               | -                 | (89,136)            | 2,217,968                | 113,060            |
| <b>Total</b>                    | <b>\$ 2,850,627</b>     | <b>\$ 395,959</b> | <b>\$ (653,744)</b> | <b>\$ 2,592,842</b>      | <b>\$ 320,362</b>  |

**Compensated Absences**

The City's policies relating to employee leave benefits are described in Note 1J. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2018, the outstanding balance was \$212,526.

**Capital Lease - Energy Retrofit**

As part of the Los Angeles County's Energy Conservation Measures, the City started its facility modernization project in 2005 by contracting for a turnkey energy retrofit of its City Hall, Pool Facility, Community Center, Senior Center, Mini Center, and Maintenance Building. Total amount financed of \$752,786 includes \$12,939 of capitalized interest. Cost of \$739,848 is accounted for in buildings and improvements and accumulated depreciation as of June 30, 2018 is \$641,067. The lease payments are amortized over 15 years. The annual payment requirements are as follows:

| Year<br>Ending<br>June 30, | Principal         | Interest         | Total             |
|----------------------------|-------------------|------------------|-------------------|
| 2019                       | \$ 62,525         | \$ 6,684         | \$ 69,209         |
| 2020                       | 65,717            | 3,492            | 69,209            |
| 2021                       | 34,106            | 498              | 34,604            |
|                            | <b>\$ 162,348</b> | <b>\$ 10,674</b> | <b>\$ 173,022</b> |

**ERCDC Loan Payable**

The City entered into a loan agreement with the Energy Resources Conservation and Development Commission (ERCDC) to install solar photovoltaic systems on City owned facilities for up to \$2,307,104. The amount of the loan will be based on eligible project costs and issued on a reimbursement basis. The loan matures over 20 years with an interest rate of 1.00%. As of June 30, 2018, the City has received all the loan proceeds and will repay the loan from the General Fund. The project is estimated to save the City approximately \$135,000 in annual electricity costs.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**ERCDC Loan Payable (Continued)**

The annual payment requirements are as follows:

| Year<br>Ending<br>June 30, | Principal           | Interest          | Total               |
|----------------------------|---------------------|-------------------|---------------------|
| 2019                       | \$ 113,060          | \$ 21,899         | \$ 134,959          |
| 2020                       | 114,138             | 20,821            | 134,959             |
| 2021                       | 115,338             | 19,621            | 134,959             |
| 2022                       | 116,494             | 18,465            | 134,959             |
| 2023                       | 117,662             | 17,297            | 134,959             |
| 2024 - 2028                | 606,168             | 68,628            | 674,796             |
| 2029 - 2033                | 637,226             | 37,570            | 674,796             |
| 2034 - 2038                | 397,882             | 6,996             | 404,878             |
|                            | <u>\$ 2,217,968</u> | <u>\$ 211,297</u> | <u>\$ 2,429,265</u> |

**NOTE 8 - CLASSIFICATION OF FUND BALANCES**

Fund balances as of June 30, 2018 are as follows:

|                        | General<br>Fund     | CalHOME<br>Grant<br>Special<br>Revenue | Sewer<br>Assessment<br>Special<br>Revenue | Housing<br>Successor<br>Special<br>Revenue | Capital<br>Improvement<br>Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------|---------------------|--|---|--|---|--------------------------------|--------------------------------|
| <b>Nonspendable:</b>   |                     |  |   |  |   |                                |                                |
| Prepays                | \$ 88,354           | \$ -                                   | \$ -                                      | \$ -                                       | \$ -  | \$ -                           | \$ 88,354                      |
| <b>Restricted for:</b> |                     |  |   |  |   |                                |                                |
| Transportation         | -                   | -                                      | -   | -  | -   | 849,722                        | 849,722                        |
| Street projects        | -                   | -                                      | -   | -  | 557,950                                       | 630,973                        | 1,188,923                      |
| Public works           | -                   | -                                      | -   | -  | -   | 192,380                        | 192,380                        |
| Community development  | -                   | -                                      | -   | -  | -   | 1,989                          | 1,989                          |
| PEG                    | -                   | -                                      | -   | -  | -   | 64,297                         | 64,297                         |
| Sewer projects         | -                   | -                                      | 1,973,448                                 | -  | -   | -                              | 1,973,448                      |
| Housing programs       | -                   | 1,981,560                              | -   | 4,793,763                                  | -   | 252,000                        | 7,027,323                      |
| Total Restricted       | <u>-</u>            | <u>1,981,560</u>                       | <u>1,973,448</u>                          | <u>4,793,763</u>                           | <u>557,950</u>                                | <u>1,991,361</u>               | <u>11,298,082</u>              |
| <b>Unassigned</b>      | <u>4,331,914</u>    | <u>-</u>                               | <u>-</u>                                  | <u>-</u>                                   | <u>-</u>                                      | <u>(40,452)</u>                | <u>4,291,462</u>               |
| Total Fund Balances    | <u>\$ 4,420,268</u> | <u>\$ 1,981,560</u>                    | <u>\$ 1,973,448</u>                       | <u>\$ 4,793,763</u>                        | <u>\$ 557,950</u>                             | <u>\$ 1,950,909</u>            | <u>\$ 15,677,898</u>           |

The unassigned category above encompasses fund designations that do not satisfy the criteria of the other categories presented. The total fund balance of \$4,331,914 reported in the General Fund includes the reserves for the council approved economic stabilization amount of \$2,856,383 and new community building amount of \$488,968.

**NOTE 9 - FUND DEFICITS**

At June 30, 2018, the following other governmental special revenue funds have a deficit balance: State Gas Tax Fund (\$106), Community Development Block Grant (\$14,730), and Miscellaneous Grants (\$25,616). These deficits are expected to be remedied with future revenues or transfers.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 10 - PENSION PLAN**

A) General Information about the Pension Plan

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The City sponsors three rate plans. Benefit provisions under the Plan are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits as of measurement date June 30, 2017, are summarized as follows:

|   | Miscellaneous                         |   |   |
|---|---------------------------------------|---|---|
|   | Tier I<br>Prior to<br>January 1, 2013 | Tier II<br>On or After<br>January 1, 2013 | Tier III - PEPR<br>On or After<br>January 1, 2013 |
| Hire date   |                                       |   |   |
| Benefit formula                                   | 2.5%@55                               | 2%@60                                     | 2%@62   |
| Benefit vesting schedule                          | 5 years of service                    | 5 years of service                        | 5 years of service                                |
| Benefit payments                                  | monthly for life                      | monthly for life                          | monthly for life                                  |
| Retirement age                                    | 50 - 55                               | 50 - 63                                   | 52 - 67   |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5%                          | 1.092% to 2.418%                          | 1.0% to 2.5%                                      |
| Required employee contribution rates              | 8%                                    | 7%  | 6.25%   |
| Required employer contribution rates:             |                                       |   |   |
| Normal cost rate                                  | 10.069%                               | 7.612%                                    | 6.555%  |
| Payment of unfunded liability                     | \$284,027                             | \$0                                       | \$31  |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 10 - PENSION PLAN (CONTINUED)**

A) General Information about the Pension Plan (Continued)

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

The pension liability for governmental activities is primarily liquidated from the general fund.

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of all Plans of \$7,727,031. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

|                              | <u>Miscellaneous</u> |
|------------------------------|----------------------|
| Proportion - June 30, 2016   | 0.19706%             |
| Proportion - June 30, 2017   | 0.19602%             |
| Change - Increase (Decrease) | -0.00104%            |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 10 - PENSION PLAN (CONTINUED)**

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$1,415,606. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date   | \$ 572,837                           | \$ -                                |
| Differences between expected and actual experience   | 9,313                                | 133,422                             |
| Change in assumptions  | 1,155,486                            | 88,107                              |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 220,292                              | 227,360                             |
| Net differences between projected and actual earnings on plan investments  | 261,323                              | -                                   |
| Total  | \$ 2,219,251                         | \$ 448,889                          |

\$572,837 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year<br>Ending<br>June 30, | Amount     |
|----------------------------|------------|
| 2019                       | \$ 344,120 |
| 2020                       | 640,827    |
| 2021                       | 367,732    |
| 2022                       | (155,154)  |
| 2023                       |            |
| Thereafter                 |            |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 10 - PENSION PLAN (CONTINUED)**

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions  
(Continued)

**Actuarial Assumptions**

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

|                                  | <u>Miscellaneous</u>            |
|----------------------------------|---------------------------------|
| Valuation Date                   | June 30, 2016                   |
| Measurement Date                 | June 30, 2017                   |
| Actuarial Cost Method            | Entry-Age Normal<br>Cost Method |
| Actuarial Assumptions:           |                                 |
| Discount Rate                    | 7.15%                           |
| Inflation                        | 2.75%                           |
| Salary Increases                 | (1)                             |
| Mortality Rate Table             | (2)                             |
| Post Retirement Benefit Increase | (3)                             |

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**NOTE 10 - PENSION PLAN (CONTINUED)**

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions  
(Continued)

**Change of Assumptions**

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% for the Plan and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the asset would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB 68 Crossover Testing Report" that can be obtained at CalPERS's website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
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**NOTE 10 - PENSION PLAN (CONTINUED)**

C) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions  
(Continued)

**Discount Rate (Continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective July 1, 2014.

| Asset Class                   | New<br>Strategic<br>Allocation | Real Return<br>Years<br>1 - 10 (a) | Real Return<br>Years<br>11+ (b) |
|-------------------------------|--------------------------------|------------------------------------|---------------------------------|
| Global Equity                 | 47.00%                         | 4.90%                              | 5.38%                           |
| Global Fixed Income           | 19.00%                         | 0.80%                              | 2.27%                           |
| Inflation Sensitive           | 6.00%                          | 0.60%                              | 1.39%                           |
| Private Equity                | 12.00%                         | 6.60%                              | 6.63%                           |
| Real Estate                   | 11.00%                         | 2.80%                              | 5.21%                           |
| Infrastructure and Forestland | 3.00%                          | 3.90%                              | 5.36%                           |
| Liquidity                     | 2.00%                          | -0.40%                             | -0.90%                          |
| Total                         | 100.00%                        |                                    |                                 |

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                       | Miscellaneous |
|-----------------------|---------------|
| 1% Decrease           | 6.15%         |
| Net Pension Liability | \$ 11,535,843 |
| Current Discount Rate | 7.15%         |
| Net Pension Liability | \$ 7,727,031  |
| 1% Increase           | 8.15%         |
| Net Pension Liability | \$ 4,572,504  |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 10 - PENSION PLAN (CONTINUED)**

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

**Pension Plan Fiduciary Net Position**

Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2018, the City reported no payables due to the pension plan, for outstanding contributions required for the year ended June 30, 2018.

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS**

A) General Information about the OPEB Plan

**Plan Description and Benefits Provided**

The City’s single-employer defined benefit postemployment healthcare plan (DPHP) provides medical benefits to eligible retired City employees and spouses through PERS Health. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees’ Retirement Law. DPHP selects optional benefit provisions from the benefit menu by contract with PERS Health and adopts those benefits through City resolution. Retirees are eligible for medical benefits if they retire at age 50 or later, have 5 or more years of CalPERS service, and were enrolled in a CalPERS plan at retirement. The City pays the California Public Employees Medical and Hospital Care Act (PEMHCA) minimum benefit. The DPHP does not issue a publicly available financial report.

**Employees Covered**

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms of the DPHP:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 9         |
| Inactive employees entitled to but not yet receivable benefits   | 15        |
| Active employees   | 35        |
| Total  | <u>59</u> |

**Contributions**

The contribution requirements of plan members and the City are established and may be amended by the City Council. Currently, contributions are not required from plan members. Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying for retiree benefits as they are due with no pre-funding for future years. For fiscal year ended June 30, 2018, the City’s made payments of \$15,424 for retiree health insurance premiums and the estimated implied subsidy was \$31,390, resulting in total contributions of \$46,814. The liability for governmental activities is primarily liquidated from the general fund.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

B) Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2017.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|  |  |
|--|--|
| Valuation Date                               | June 30, 2017  |
| Measurement Date                             | June 30, 2017  |
| Actuarial Cost Method                        | Entry-Age Normal Cost Method   |
| Actuarial Assumptions:                       |  |
| Discount Rate                                | 3.56%  |
| Inflation                                    | 2.50%  |
| Salary Increase                              | 2.875%   |
| Expected long term investment rate of return | No applicable since the City has not established an irrevocable trust for pre-funding the OPEB |
| Healthcare Cost Trend Rates                  | 7.00% in the first year, trending down to 3.84% over 58 years                                  |
| Mortality                                    | Derived from the CalPERS tables  |

The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.56%. The discount rate was based on a high quality 20-year tax-exempt general obligation municipal bonds index rate, specifically the Fidelity GO AA index, as of June 30, 2017, the date of the actuarial valuation.

**Change of Discount Rate**

The discount rate utilized in the June 30, 2015 valuation, which was based on the requirements of GASB 45, was 4.00% as compared to the June 30, 2017 valuation, which was based on the requirements of GASB 75, discount rate of 3.56%. The discount rate was changed to reflect the change in the municipal bond index.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

B) Changes in the Total OPEB Liability

The changes in the total OPEB liability are as follows:

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| <b>Balance at June 30, 2016 (Measurement Date)</b> | <u>\$ 1,488,214</u>             |
| <b>Changes in the Year:</b>                        |                                 |
| Service cost                                       | 75,958                          |
| Interest on the total OPEB liability               | 54,928                          |
| Benefit payments                                   | <u>(42,473)</u>                 |
| <b>Net Changes</b>                                 | <u>88,413</u>                   |
| <b>Balance at June 30, 2017 (Measurement Date)</b> | <u><u>\$ 1,576,627</u></u>      |

**Change of Assumptions**

There were no changes of assumptions.

**Change of Benefit Terms**

There were no changes of benefit terms.

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

|                      | <u>1% Decrease<br/>(2.56%)</u> | <u>Discount Rate<br/>(3.56%)</u> | <u>1% Increase<br/>(4.56%)</u> |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB Liability | \$ 1,780,138                   | \$ 1,576,627                     | \$ 1,405,790                   |

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

C) Changes in the OPEB Liability (Continued)

**Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

|                      | 1% Decrease<br>(6.00% decreasing<br>to 2.84%) | Current Healthcare<br>Cost Trend Rates<br>(7.00% decreasing<br>to 3.84%) | 1% Increase<br>(8.00% decreasing<br>to 4.84%) |
|----------------------|---|--|---|
| Total OPEB Liability | \$ 1,356,433                                  | \$ 1,576,627   | \$ 1,851,736                                  |

D) OPEB Expense and Deferred Outflow/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$131,111. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 46,814                            | \$ -                                |

\$46,814 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

E) Payable to the OPEB Plan

At June 30, 2018, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

**NOTE 12 - INSURANCE**

**Description of Participation in the California Joint Powers Insurance Authority**

The City of South El Monte is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 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 lines of coverage. The California JPIA 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 nine-member Executive Committee.

***NOTE 12 - INSURANCE (CONTINUED)***

**Self-Insurance Programs of the Authority**

Each member government pays an annual contribution at the beginning of the coverage period. A retrospective deposit computation is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history relative to other members of the risk-sharing pool.

*Primary Liability Program* - Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

*Workers Compensation Program* - Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

**Purchased Insurance**

*Pollution Legal Liability Insurance* - The City of South El Monte participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of South El Monte. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

***NOTE 12 - INSURANCE (CONTINUED)***

**Purchase Insurance (Continued)**

*Property Insurance* - The City of South El Monte participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of South El Monte property is currently insured according to a schedule of covered property submitted by the City of South El Monte to the Authority. City of South El Monte property currently has all-risk property insurance protection in the amount of \$25,566,427. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

*Earthquake and Flood Insurance* - The City of South El Monte 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. City of South El Monte property currently has earthquake protection in the amount of \$13,716,006. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

*Crime Insurance* - The City of South El Monte purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is arranged by the Authority.

**Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

***NOTE 13 - CONTINGENCIES AND COMMITMENTS***

In the normal course of operations, the City has been named as a defendant in various claims and legal actions. In the opinion of management and legal counsel, the ultimate liability for these actions and claims will not have a material adverse effect on the City's basic financial statements.

The City participates in several federal, state and county programs. These programs are subject to examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting and funding agencies, cannot be determined at this time.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

***NOTE 14 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT DISTRICT DISCLOSURES***

The assets and liabilities of the South El Monte Business Improvement District were transferred to the Successor Agency to the South El Monte Business Improvement District on February 1, 2012 as a result of the dissolution of the former redevelopment agency's under AB x1 26 as amended. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

**Capital Assets**

Capital assets as of July 1, 2017, was restated to a zero balance. See Note 15.

**Long-term Liabilities**

Long-term liabilities activity for the year ended June 30, 2018 were as follows:

|                             | Balance<br>July 1, 2017 | Additions   | Deletions             | Balance<br>June 30, 2018 | Due<br>Within<br>One Year |
|-----------------------------|-------------------------|-------------|-----------------------|--------------------------|---------------------------|
| <b>Fudiciary Activities</b> |                         |             |                       |                          |                           |
| Tax Allocation Bonds:       |                         |             |                       |                          |                           |
| 2007 Series A               | \$ 6,985,000            | \$ -        | \$ (470,000)          | \$ 6,515,000             | \$ 500,000                |
| 2007 Series A Discount      | (38,070)                | -           | 3,776                 | (34,294)                 | -                         |
| 2014 Series A               | 6,950,000               | -           | -                     | 6,950,000                | -                         |
| 2014 Series A Discount      | (142,272)               | -           | 14,976                | (127,296)                | -                         |
| 2015 Series A               | 8,985,000               | -           | (40,000)              | 8,945,000                | 45,000                    |
| 2015 Series A Premium       | 258,329                 | -           | (15,620)              | 242,709                  | -                         |
| 2015 Series B               | 6,085,000               | -           | (545,000)             | 5,540,000                | 550,000                   |
| 2015 Series B Discount      | (51,994)                | -           | 6,317                 | (45,677)                 | -                         |
| <b>Total</b>                | <b>\$ 29,030,993</b>    | <b>\$ -</b> | <b>\$ (1,045,551)</b> | <b>\$ 27,985,442</b>     | <b>\$ 1,095,000</b>       |

2007 Tax Allocation Bonds

On February 21, 2007, the former South El Monte Business Improvement District (District) issued the 2007 Tax Allocation (Merged Project Area) Bonds (the Bonds) in the amount of \$10,270,000. The Bonds were issued to finance various redevelopment activities and projects of the District. The project fund proceeds were deposited 47 percent in the Improvement District Capital Projects Areas 1, 2, 3 Fund, 39 percent in the Low/Mod Income Housing Set Aside Fund, and 14 percent in the Debt Service Fund. The Bonds are payable from and secured by a pledge of the District's tax increment revenues from the District's three project areas (merged project areas).

The 2007 Series A Bonds bear interest at rates ranging from 5.50 to 6.00 percent. Interest is due semi-annually on August 1, and February 1 of each year, commencing August 1, 2008. Principal payments are due annually on August 1, commencing on August 1, 2008. The Bonds are subject to mandatory sinking fund redemption commencing on August 1, 2008.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 14 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT DISTRICT DISCLOSURES (CONTINUED)***

**Long-term Liabilities (Continued)**

2007 Tax Allocation Bonds (Continued)

Debt service payments on the Bonds will be made from the Successor Agency Private-purpose Trust Fund. Annual debt service requirements to maturity are as follows:

| Year<br>Ending<br>June 30, | Principal           | Interest            | Total               |
|----------------------------|---------------------|---------------------|---------------------|
| 2019                       | \$ 500,000          | \$ 369,525          | \$ 869,525          |
| 2020                       | 525,000             | 340,057             | 865,057             |
| 2021                       | 560,000             | 308,863             | 868,863             |
| 2022                       | 590,000             | 275,800             | 865,800             |
| 2023                       | 625,000             | 240,869             | 865,869             |
| 2024 - 2028                | 3,715,000           | 582,750             | 4,297,750           |
|                            | 6,515,000           | 2,117,864           | 8,632,864           |
| Less: Bond discount        | (34,294)            | -                   | (34,294)            |
|                            | <u>\$ 6,480,706</u> | <u>\$ 2,117,864</u> | <u>\$ 8,598,570</u> |

The Successor Agency has pledged a portion of future tax increment revenues to repay the \$10.2 million issued in 2007, as the source of repayment for the bonds. Tax increment revenues were projected to produce 145 percent to 267 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$8,598,570, payable through 2028.

2014A Tax Allocation Refunding Bonds

On July 2, 2014, the Successor Agency to the South El Monte Improvement District issued \$6,950,000 in Tax Allocation Refunding Bonds, 2014 Series A. The bonds were issued to refund all of the outstanding Tax Allocation Bonds, Series 2008A. As a result, the 2008A Tax Allocation Bonds are considered to be defeased and the liability has been removed from the statement of fiduciary net position. The 2008 bonds were issued to finance various projects for the redevelopment of the Merged Project Area.

The 2014 bonds are payable from and secured by tax revenues as defined in the bond indenture. Interest on the 2014 bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. Principal payments are due on August 1 of each year, beginning with August 1, 2028.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
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**NOTE 14 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT DISTRICT DISCLOSURES (CONTINUED)**

**Long-term Liabilities (Continued)**

2014A Tax Allocation Refunding Bonds (Continued)

Debt service payments on the Bonds will be made from the Successor Agency Private-purpose Trust Fund. Annual debt service requirements to maturity are as follows:

| Year<br>Ending<br>June 30, | Principal           | Interest            | Total                |
|----------------------------|---------------------|---------------------|----------------------|
| 2019                       | \$ -                | \$ 265,488          | \$ 265,488           |
| 2020                       | -                   | 265,487             | 265,487              |
| 2021                       | -                   | 265,488             | 265,488              |
| 2022                       | -                   | 265,487             | 265,487              |
| 2023                       | -                   | 265,488             | 265,488              |
| 2024 - 2028                | -                   | 1,327,438           | 1,327,438            |
| 2029 - 2033                | 3,220,000           | 1,055,506           | 4,275,506            |
| 2034 - 2038                | 3,730,000           | 345,400             | 4,075,400            |
|                            | <u>6,950,000</u>    | <u>4,055,782</u>    | <u>11,005,782</u>    |
| Less: Bond discount        | <u>(127,296)</u>    | <u>-</u>            | <u>(127,296)</u>     |
|                            | <u>\$ 6,822,704</u> | <u>\$ 4,055,782</u> | <u>\$ 10,878,486</u> |

2015 Tax Allocation Refunding Bonds, Series A and B

On May 13, 2015, the Successor Agency to the South El Monte Improvement District issued \$8,985,000 in Tax Allocation Refunding Bonds, Series A, and \$6,595,000 in Tax Allocation Refunding Bonds, Series B. The 2015 Series A bonds were issued to refund all of the outstanding 2005 Tax Allocation Bonds, Series A. The 2015 Series B bonds were issued refund all of the outstanding 2005 Tax Allocation Bonds, Series B. As a result, the 2005 Tax Allocation Bonds, Series A and B, are considered to be defeased and the liability has been removed from the statement of fiduciary net position. The 2005 bonds were issued to finance various projects for the redevelopment of the Merged Project Area.

The 2015 Series A and B bonds are payable from and secured by tax revenues as defined in the bond indenture. Interest on the 2015 bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. Principal payments are due on August 1 of each year, beginning with August 1, 2017 for the Series A bonds and August 1, 2016 for the Series B bonds.

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
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**NOTE 14 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT DISTRICT DISCLOSURES (CONTINUED)**

**Long-term Liabilities (Continued)**

2015 Tax Allocation Refunding Bonds, Series A and B (Continued)

Debt service on the Bonds will be made from the Successor Agency Private-purpose Trust Fund. Annual debt service requirements to maturity are as follows:

| Year<br>Ending<br>June 30, | 2015 Series A       |                     |                      |
|----------------------------|---------------------|---------------------|----------------------|
|                            | Principal           | Interest            | Total                |
| 2019                       | \$ 45,000           | \$ 364,975          | \$ 409,975           |
| 2020                       | 50,000              | 364,026             | 414,026              |
| 2021                       | 45,000              | 363,075             | 408,075              |
| 2022                       | 45,000              | 362,175             | 407,175              |
| 2023                       | 45,000              | 361,219             | 406,219              |
| 2024 - 2028                | 1,025,000           | 1,774,306           | 2,799,306            |
| 2029 - 2033                | 4,500,000           | 1,267,938           | 5,767,938            |
| 2034 - 2035                | 3,190,000           | 244,500             | 3,434,500            |
|                            | 8,945,000           | 5,102,214           | 14,047,214           |
| Add: Bond premium          | 242,709             | -                   | 242,709              |
|                            | <u>\$ 9,187,709</u> | <u>\$ 5,102,214</u> | <u>\$ 14,289,923</u> |

| Year<br>Ending<br>June 30, | 2015 Series B       |                   |                     |
|----------------------------|---------------------|-------------------|---------------------|
|                            | Principal           | Interest          | Total               |
| 2019                       | \$ 550,000          | \$ 171,981        | \$ 721,981          |
| 2020                       | 560,000             | 160,318           | 720,318             |
| 2021                       | 575,000             | 146,472           | 721,472             |
| 2022                       | 595,000             | 130,000           | 725,000             |
| 2023                       | 610,000             | 111,162           | 721,162             |
| 2024 - 2028                | 2,650,000           | 213,000           | 2,863,000           |
|                            | 5,540,000           | 932,933           | 6,472,933           |
| Less: Bond discount        | (45,677)            | -                 | (45,677)            |
|                            | <u>\$ 5,494,323</u> | <u>\$ 932,933</u> | <u>\$ 6,427,256</u> |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 15 - RESTATEMENT OF NET POSITION AND FUND BALANCES***

Net position for the government-wide financial statements and fiduciary fund statements as of July 1, 2017 was restated as follows:

|  | Governmental<br>Activities | Successor<br>Agency<br>Private-pupose<br>Trust Fund |
|--|----------------------------|---|
| Net position at July 1, 2017, as previously reported   | \$ 20,301,329              | \$ (15,868,283)                                     |
| Implementation of GASB Statement 75 to record the net OPEB<br>OPEB liability at the beginning of the year  | (978,114)                  | -   |
| Transfer of Successor Agency property to the City as governmental<br>use property, approved on the long-range property management plan   | 2,170,412                  | (2,170,412)   |
| Transfer the housing assets of the Successor Agency to the City<br>as the City elected to retain the housing assets and functions<br>previously performed by the Community Development Commission<br>of the South El Monte Improvement District, reported as the<br>Housing Successor special revenue fund | 2,022,965                  | (2,022,965)   |
| Transfer of Successor Agency property to the Housing Successor<br>as approved by the Department of Finance's final determination   | 4,932,665                  | (4,932,665)   |
| Removal of Successor Agency pass-through payable that has<br>been remitted in prior years  | -                          | 1,921,534   |
| Transfer of housing bond proceeds from the Successor<br>Agency to the Housing Successor, per the Funding Agreement   | 13,731                     | (13,731)  |
| Transfer of bond proceeds from the Successor Agency to the<br>City's Capital Improvement Fund, per the Funding Agreement   | 4,718                      | (4,718)   |
| Net position at July 1, 2017, as restated  | <u>\$ 28,467,706</u>       | <u>\$ (23,091,240)</u>                              |

**CITY OF SOUTH EL MONTE**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 15 - RESTATEMENT OF NET POSITION AND FUND BALANCES (CONTINUED)***

Fund balances for the governmental fund financial statements as of July 1, 2017 were restated as follows:

|  | Capital<br>Improvement<br>Capital<br>Projects<br>Fund | Housing<br>Successor<br>Special<br>Revenue<br>Fund |
|--|---|--|
|  | <u>          </u>                                     | <u>          </u>                                  |
| Fund balance at July 1, 2017, as originally reported   | \$ 946,044  | \$ -   |
| Transfer the housing assets of the Successor Agency to the City as the City elected to retain the housing assets and functions previously performed by the Community Development Commission of the South El Monte Improvement District, reported as the Housing Successor special revenue fund | -   | 2,022,965  |
| Transfer of Successor Agency property to the Housing Successor as approved by the Department of Finance's final determination  | -   | 4,932,665  |
| Transfer of housing bond proceeds from the Successor Agency to the Housing Successor, per the Funding Agreement  | -   | 13,731   |
| Transfer of bond proceeds from the Successor Agency to the City's Capital Improvement Fund, per the Funding Agreement  | 4,718   | -  |
| Fund balance at July 1, 2017, as restated  | <u>\$ 950,762</u>                                     | <u>\$ 6,969,361</u>                                |

In prior years, the Housing Successor Special Revenue Fund was incorrectly reported within the Successor Agency Private-Purpose Fiduciary Trust Fund. The Housing Successor Special Revenue Fund should have been reported as a separate fund of the City when the City assumed the housing responsibilities of the former South El Monte Improvement District's low and moderate income housing fund under AB x1 26 as amended.

***NOTE 16 - SUBSEQUENT EVENTS***

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 9, 2019, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF SOUTH EL MONTE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years\*

| Fiscal year ended  | Miscellaneous |               |               |               |
|--|---------------|---------------|---------------|---------------|
|  | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Measurement period   | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability   | 0.07792%      | 0.07911%      | 0.08104%      | 0.17490%      |
| Plan's proportionate share of the net pension liability  | \$ 7,727,031  | \$ 6,845,608  | \$ 5,562,668  | \$ 4,322,198  |
| Plan's covered payroll   | \$ 2,415,776  | \$ 2,225,083  | \$ 2,082,997  | \$ 1,715,830  |
| Plan's proportionate share of the net pension liability as a percentage of covered payroll                     | 319.86%       | 307.66%       | 267.05%       | 251.90%       |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 72.10%        | 74.68%        | 76.88%        | 81.44%        |
| Plan's proportionate share of aggregate employer contributions   | \$ 755,365    | \$ 670,946    | \$ 639,714    | \$ 512,700    |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

CITY OF SOUTH EL MONTE  
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years\*

| Fiscal year ended  | Miscellaneous    |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | June 30, 2018    | June 30, 2017    | June 30, 2016    | June 30, 2015    |
| Contractually required contribution<br>(actuarially determined)          | \$ 572,837       | \$ 511,152       | \$ 645,929       | \$ 518,289       |
| Contributions in relation to the actuarially<br>determined contributions | <u>(572,837)</u> | <u>(511,152)</u> | <u>(645,929)</u> | <u>(518,289)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered payroll  | \$ 2,354,039     | \$ 2,415,776     | \$ 2,225,083     | \$ 2,082,997     |
| Contributions as a percentage of covered payroll                         | 24.33%           | 21.16%           | 29.03%           | 24.88%           |

Notes to Schedule:

|                |           |           |           |           |
|----------------|-----------|-----------|-----------|-----------|
| Valuation Date | 6/30/2015 | 6/30/2014 | 6/30/2013 | 6/30/2012 |
|----------------|-----------|-----------|-----------|-----------|

Methods and Assumptions Used to Determine Contribution Rates:

|                            |  |
|----------------------------|--|
| Single and agent employers | Entry age**  |
| Amortization method        | Level percentage of payroll, closed**  |
| Asset valuation method     | Market Value***  |
| Inflation                  | 2.75%**  |
| Salary increases           | Depending on age, service, and type of employment**  |
| Investment rate of return  | 7.50%, net of pension plan investment expense, including inflation**   |
| Retirement age             | 50 (2.7@55), 50 (2%@60), 52 (2%@62)  |
| Mortality                  | Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.** |

\* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

\*\* - The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

CITY OF SOUTH EL MONTE

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years\*

|   |                  |
|---|------------------|
| Fiscal year end   | <u>6/30/2018</u> |
| Measurement date  | <u>6/30/2017</u> |
| Total OPEB Liability:   |                  |
| Service cost  | \$ 75,958        |
| Interest on total OPEB liability  | 54,928           |
| Benefit payments  | <u>(42,473)</u>  |
| Net Change in Total OPEB Liability                                      | 88,413           |
| Total OPEB Liability - Beginning of Year                                | <u>1,488,214</u> |
| Total OPEB Liability - End of Year                                      | <u>1,576,627</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00%            |
| Covered - employee payroll  | \$ 1,992,079     |
| Total OPEB liability as percentage of covered - employee payroll        | 79.14%           |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The fiscal year ended June 30, 2018 is the first year of implementation; therefore, there is no previous GASB 75 actuarial report for comparison.

\* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

CITY OF SOUTH EL MONTE

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

For the year ended June 30, 2018

|   | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| <b>REVENUES:</b>  |                     |                     |                     |   |
| Taxes   | \$ 11,530,217       | \$ 11,530,217       | \$ 11,176,507       | \$ (353,710)  |
| Licenses and permits                                    | 1,099,600           | 1,099,600           | 1,190,157           | 90,557  |
| Fines and forfeitures                                   | 272,000             | 302,000             | 253,925             | (48,075)  |
| Use of money and property                               | 60,000              | 60,000              | 143,133             | 83,133  |
| Charges for services                                    | 323,200             | 323,200             | 314,216             | (8,984)   |
| Intergovernmental                                       | 523,000             | 747,375             | 818,705             | 71,330  |
| Other revenues  | 4,024               | 4,024               | 182,032             | 178,008   |
| <b>TOTAL REVENUES</b>                                   | <b>13,812,041</b>   | <b>14,066,416</b>   | <b>14,078,675</b>   | <b>12,259</b>   |
| <b>EXPENDITURES:</b>                                    |                     |                     |                     |   |
| Current:  |                     |                     |                     |   |
| General government                                      | 3,366,997           | 3,601,008           | 3,502,562           | 98,446  |
| Public safety   | 5,419,794           | 5,449,794           | 5,162,667           | 287,127   |
| Community development                                   | 1,612,785           | 1,612,785           | 1,635,165           | (22,380)  |
| Public works/utilities                                  | 1,409,913           | 1,409,913           | 1,403,924           | 5,989   |
| Community services programs                             | 2,096,380           | 2,221,529           | 2,050,389           | 171,140   |
| Debt service:   |                     |                     |                     |   |
| Principal   | 149,000             | 149,000             | 148,623             | 377   |
| Interest  | 56,000              | 56,000              | 55,544              | 456   |
| <b>TOTAL EXPENDITURES</b>                               | <b>14,110,869</b>   | <b>14,500,029</b>   | <b>13,958,874</b>   | <b>541,155</b>  |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>(298,828)</b>    | <b>(433,613)</b>    | <b>119,801</b>      | <b>553,414</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>                  |                     |                     |                     |   |
| Transfers in  | -                   | -                   | 85,268              | 85,268  |
| Transfers out   | (85,000)            | (115,000)           | (165,260)           | (50,260)  |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>         | <b>(85,000)</b>     | <b>(115,000)</b>    | <b>(79,992)</b>     | <b>35,008</b>   |
| <b>NET CHANGE IN FUND BALANCE</b>                       | <b>(383,828)</b>    | <b>(548,613)</b>    | <b>39,809</b>       | <b>588,422</b>  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <b>4,380,459</b>    | <b>4,380,459</b>    | <b>4,380,459</b>    | <b>-</b>  |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ 3,996,631</b> | <b>\$ 3,831,846</b> | <b>\$ 4,420,268</b> | <b>\$ 588,422</b>                                       |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - CALHOME GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| REVENUES:                                       |                     |                     |                     |   |
| Use of money and property                       | \$ 100              | \$ 100              | \$ 213              | \$ 113  |
| Intergovernmental                               | 2,236,000           | 2,236,000           | 411,863             | (1,824,137)   |
| Other   | -                   | -                   | 47                  | 47  |
| TOTAL REVENUES                                  | <u>2,236,100</u>    | <u>2,236,100</u>    | <u>412,123</u>      | <u>(1,823,977)</u>                                      |
| EXPENDITURES:                                   |                     |                     |                     |   |
| Current:  |                     |                     |                     |   |
| Community services programs                     | <u>2,243,280</u>    | <u>2,243,280</u>    | <u>386,681</u>      | <u>1,856,599</u>  |
| TOTAL EXPENDITURES                              | <u>2,243,280</u>    | <u>2,243,280</u>    | <u>386,681</u>      | <u>1,856,599</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(7,180)</u>      | <u>(7,180)</u>      | <u>25,442</u>       | <u>32,622</u>   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>1,956,118</u>    | <u>1,956,118</u>    | <u>1,956,118</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 1,948,938</u> | <u>\$ 1,948,938</u> | <u>\$ 1,981,560</u> | <u>\$ 32,622</u>  |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - SEWER ASSESSMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Budgeted Amounts  |                   | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---------------------|---|
|   | Original          | Final             |                     |   |
| <b>REVENUES:</b>                                |                   |                   |                     |   |
| Use of money and property                       | \$ 1,000          | \$ 1,000          | \$ 3,278            | \$ 2,278  |
| Special assessment                              | <u>390,000</u>    | <u>390,000</u>    | <u>394,238</u>      | <u>4,238</u>  |
| <b>TOTAL REVENUES</b>                           | <u>391,000</u>    | <u>391,000</u>    | <u>397,516</u>      | <u>6,516</u>  |
| <b>EXPENDITURES:</b>                            |                   |                   |                     |   |
| Current:  |                   |                   |                     |   |
| Public works/utilities                          | <u>114,160</u>    | <u>114,160</u>    | <u>96,625</u>       | <u>17,535</u>   |
| <b>TOTAL EXPENDITURES</b>                       | <u>114,160</u>    | <u>114,160</u>    | <u>96,625</u>       | <u>17,535</u>   |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <u>276,840</u>    | <u>276,840</u>    | <u>300,891</u>      | <u>24,051</u>   |
| <b>OTHER FINANCING USES:</b>                    |                   |                   |                     |   |
| Transfers out                                   | <u>(951,670)</u>  | <u>(951,670)</u>  | <u>-</u>            | <u>951,670</u>  |
| <b>TOTAL OTHER<br/>FINANCING USES</b>           | <u>(951,670)</u>  | <u>(951,670)</u>  | <u>-</u>            | <u>951,670</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>               | <u>(674,830)</u>  | <u>(674,830)</u>  | <u>300,891</u>      | <u>975,721</u>  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>         | <u>1,672,557</u>  | <u>1,672,557</u>  | <u>1,672,557</u>    | <u>-</u>  |
| <b>FUND BALANCE - END OF YEAR</b>               | <u>\$ 997,727</u> | <u>\$ 997,727</u> | <u>\$ 1,973,448</u> | <u>\$ 975,721</u>                                       |

**BUDGETARY POLICY AND CONTROL**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget/actual comparisons in this report use the GAAP basis. The budgetary comparison schedules present both the original adopted budget and the final budget with all amendments.

The Budgetary comparison schedules are presented as Required Supplementary Information for the General Fund and major Special Revenue Funds as required by GASB Statement No. 34. However, the City did not budget for the State Deferred Loan Program, BEGIN Grant, Park Bond Grant, Transportation Development Act, SB1 RMRA, Measure M, Miscellaneous Grants, and Housing Successor Special Revenue funds. The budgetary comparison schedules for the remaining major funds are presented to aid in additional analysis and are not a required part of the basic financial statements.

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**SUPPLEMENTARY INFORMATION**

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CITY OF SOUTH EL MONTE

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

For the year ended June 30, 2018

|  | Final<br>Budget     | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|-------------------|---|
| REVENUES:  |                     |                   |   |
| Use of money and property                        | \$ -                | \$ 62             | \$ 62   |
| Intergovernmental                                | 3,689,428           | 116,518           | (3,572,910)   |
| TOTAL REVENUES                                   | <u>3,689,428</u>    | <u>116,580</u>    | <u>(3,572,848)</u>                                      |
| EXPENDITURES:                                    |                     |                   |   |
| Capital outlay                                   | -                   | 799,233           | (799,233)   |
| TOTAL EXPENDITURES                               | <u>-</u>            | <u>799,233</u>    | <u>(799,233)</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES  | <u>3,689,428</u>    | <u>(682,653)</u>  | <u>(4,372,081)</u>                                      |
| OTHER FINANCING SOURCES:                         |                     |                   |   |
| Transfers in                                     | 1,225,200           | 289,841           | (935,359)   |
| TOTAL OTHER<br>FINANCING SOURCES                 | <u>1,225,200</u>    | <u>289,841</u>    | <u>(935,359)</u>  |
| NET CHANGE IN FUND BALANCE                       | 4,914,628           | (392,812)         | (5,307,440)   |
| FUND BALANCE - BEGINNING OF YEAR,<br>AS RESTATED | <u>950,762</u>      | <u>950,762</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                       | <u>\$ 5,865,390</u> | <u>\$ 557,950</u> | <u>\$ (5,307,440)</u>                                   |

**CITY OF SOUTH EL MONTE**

**Other Governmental Funds**

**June 30, 2018**

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**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for taxes and other revenue set-aside in accordance with law or administrative regulation for a specific purpose.

**State Gas Tax Fund** - This fund accounts for funds collected from the State of California, which are used for street construction, street maintenance and engineering, and administration costs.

**Older American Act Fund** - This fund accounts for Federal grants received through Los Angeles County, which are used to finance senior citizen nutrition programs.

**Maintenance District Fund** - This fund accounts for the reimbursement of one-half of the cost to maintain the Rosemead Boulevard maintenance district and 100 percent of the cost of maintaining the Hayward Tract maintenance district.

**Air Quality Management Fund** - This fund account for the City's share of automobile registration fees collected by the South Coast Air Quality management District from the State. The funds are used in improving transportation systems and reduce the reliance of private vehicles.

**State Deferred Loan Program Fund** - This fund accounts for grants to be used for loans to City residents for registration improvements.

**Community Development Block Grant Fund** - This fund accounts for Community Development Block Grants received from the United States Department of Housing and Urban Development.

**Prop A Transportation Funds** - This fund accounts for the City's share of additional sales tax collected in the County of Los Angeles as a result of Proposition A. The funds are used to finance public transportation projects.

**Prop C Transportation Funds** - This fund accounts for the City's share of additional sales tax collected in the County of Los Angeles as a result of voter approved Proposition C to be used for public transportation improvement projects.

**State COPS Grant Fund** - This fund accounts for the proceeds from the COPS grant.

**Used Oil Block Grant Fund** - This fund accounts for grant funds received from the California Integrated Waste Management Board to encourage the recycling of used motor oil and other household chemicals.

**Quimby In Lieu Fees Fund** - This fund is used to account for park development impact fees.

**PEG Fund** - This fund is used to account for the Public Educational and Government fees collected by the City.

**Beverage Container Recycle Fund** - This fund accounts for state grant funds to support recycling programs within the community.

**Measure R** - This fund accounts for revenues received from Los Angeles County under Measure R that are to be used exclusively for transportation projects and improvements.

**CITY OF SOUTH EL MONTE**

**Other Governmental Funds**

**June 30, 2018**

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**SPECIAL REVENUE FUNDS - Continued**

**BEGIN Grant** - This fund accounts for financial resources allocated to make deferred-payment second mortgage loans for qualified homebuyers.

**Park Bond Grant** - This fund accounts for the Safe Neighborhood Parks Proposition of 1992 (Proposition A) funding for park and open space improvement projects.

**Transportation Development Act** - This fund accounts for revenues received from the Transportation Development Act that are to be used exclusively for transportation projects and improvements.

**SB1 RMRA** - This fund accounts for revenues received from the State SB1 taxes. Expenditures are restricted to basic road maintenance, rehabilitation, and critical safety projects.

**Measure M** - This fund accounts for revenues received from the County to be used for street improvements and transportation system maintenance.

**Miscellaneous Grants** - This fund accounts for revenues received from LA County CEO's office that are restricted for the City to develop a strategic plan to address homelessness.

CITY OF CITY OF SOUTH EL MONTE

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2018

|   | Special Revenue Funds |                    |                      |                        |
|---|-----------------------|--------------------|----------------------|------------------------|
|   | State Gax Tax         | Older American Act | Maintenance District | Air Quality Management |
| ASSETS  |                       |                    |                      |                        |
| Cash and investments                                  | \$ 52,211             | \$ -               | \$ 28,945            | \$ 37,079              |
| Receivables:  |                       |                    |                      |                        |
| Accounts  | -                     | 34,075             | 66                   | -                      |
| Loans   | -                     | -                  | -                    | -                      |
| Due from other governments                            | -                     | -                  | -                    | -                      |
| Due from other funds                                  | 38,598                | -                  | -                    | -                      |
| <b>TOTAL ASSETS</b>                                   | <b>\$ 90,809</b>      | <b>\$ 34,075</b>   | <b>\$ 29,011</b>     | <b>\$ 37,079</b>       |
| LIABILITIES AND FUND BALANCES                         |                       |                    |                      |                        |
| LIABILITIES:  |                       |                    |                      |                        |
| Accounts payable                                      | \$ 87,141             | \$ 24,921          | \$ -                 | \$ 577                 |
| Other accrued liabilities                             | 1,131                 | 237                | -                    | -                      |
| Wages payable   | 2,643                 | 875                | -                    | -                      |
| Due to other funds                                    | -                     | 8,042              | -                    | -                      |
| <b>TOTAL LIABILITIES</b>                              | <b>90,915</b>         | <b>34,075</b>      | <b>-</b>             | <b>577</b>             |
| DEFERRED INFLOWS OF RESOURCES:                        |                       |                    |                      |                        |
| Unavailable revenue                                   | -                     | -                  | -                    | -                      |
| FUND BALANCES (DEFICITS):                             |                       |                    |                      |                        |
| Restricted  | -                     | -                  | 29,011               | 36,502                 |
| Unassigned  | (106)                 | -                  | -                    | -                      |
| <b>TOTAL FUND BALANCES (DEFICITS)</b>                 | <b>(106)</b>          | <b>-</b>           | <b>29,011</b>        | <b>36,502</b>          |
| <b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b> | <b>\$ 90,809</b>      | <b>\$ 34,075</b>   | <b>\$ 29,011</b>     | <b>\$ 37,079</b>       |

Special Revenue Funds (Continued)

| State Deferred<br>Loan Program | Community<br>Development<br>Block Grant | Prop A            | Prop C            | State COPS<br>Grants | Used Oil<br>Block Grant | Quimby in<br>Lieu Fees |
|--------------------------------|---|-------------------|-------------------|----------------------|-------------------------|------------------------|
| \$ 13,489                      | \$ -                                    | \$ 586,681        | \$ 247,012        | \$ 14,296            | \$ 8,857                | \$ 125,504             |
| -                              | -                                       | -                 | -                 | -                    | -                       | -                      |
| -                              | -                                       | -                 | -                 | -                    | -                       | -                      |
| -                              | 14,729                                  | -                 | -                 | -                    | -                       | -                      |
| -                              | -                                       | -                 | -                 | -                    | -                       | -                      |
| <u>\$ 13,489</u>               | <u>\$ 14,729</u>                        | <u>\$ 586,681</u> | <u>\$ 247,012</u> | <u>\$ 14,296</u>     | <u>\$ 8,857</u>         | <u>\$ 125,504</u>      |
| \$ -                           | \$ 14,193                               | \$ 6,929          | \$ 1,087          | \$ 14,296            | \$ 3,901                | \$ -                   |
| 11,500                         | -                                       | 1,847             | 265               | -                    | -                       | -                      |
| -                              | -                                       | 8,946             | 1,399             | -                    | -                       | -                      |
| -                              | 537                                     | -                 | -                 | -                    | -                       | -                      |
| <u>11,500</u>                  | <u>14,730</u>                           | <u>17,722</u>     | <u>2,751</u>      | <u>14,296</u>        | <u>3,901</u>            | <u>-</u>               |
| -                              | 14,729                                  | -                 | -                 | -                    | -                       | -                      |
| 1,989                          | -                                       | 568,959           | 244,261           | -                    | 4,956                   | 125,504                |
| -                              | (14,730)                                | -                 | -                 | -                    | -                       | -                      |
| <u>1,989</u>                   | <u>(14,730)</u>                         | <u>568,959</u>    | <u>244,261</u>    | <u>-</u>             | <u>4,956</u>            | <u>125,504</u>         |
| <u>\$ 13,489</u>               | <u>\$ 14,729</u>                        | <u>\$ 586,681</u> | <u>\$ 247,012</u> | <u>\$ 14,296</u>     | <u>\$ 8,857</u>         | <u>\$ 125,504</u>      |

CITY OF SOUTH EL MONTE  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 (CONTINUED)

June 30, 2018

|   | Special Revenue Funds |                                  |            |             |
|---|-----------------------|----------------------------------|------------|-------------|
| ASSETS  | PEG                   | Beverage<br>Container<br>Recycle | Measure R  | Begin Grant |
| Cash and investments                              | \$ 64,297             | \$ 32,324                        | \$ 350,987 | \$ -        |
| Receivables:                                      |                       |                                  |            |             |
| Accounts  | -                     | -                                | -          | -           |
| Loans   | -                     | -                                | -          | 252,000     |
| Due from other governments                        | -                     | -                                | -          | -           |
| Due from other funds                              | -                     | -                                | -          | -           |
| <br>  |                       |                                  |            |             |
| TOTAL ASSETS                                      | \$ 64,297             | \$ 32,324                        | \$ 350,987 | \$ 252,000  |
| <br>  |                       |                                  |            |             |
| LIABILITIES AND FUND BALANCES                     |                       |                                  |            |             |
| <br>  |                       |                                  |            |             |
| LIABILITIES:                                      |                       |                                  |            |             |
| Accounts payable                                  | \$ -                  | \$ 1,510                         | \$ -       | \$ -        |
| Other accrued liabilities                         | -                     | -                                | 3,470      | -           |
| Wages payable                                     | -                     | -                                | 6,603      | -           |
| Due to other funds                                | -                     | -                                | -          | -           |
| <br>  |                       |                                  |            |             |
| TOTAL LIABILITIES                                 | -                     | 1,510                            | 10,073     | -           |
| <br>  |                       |                                  |            |             |
| DEFERRED INFLOWS OF RESOURCES:                    |                       |                                  |            |             |
| Unavailable revenue                               | -                     | -                                | -          | -           |
| <br>  |                       |                                  |            |             |
| FUND BALANCES (DEFICITS):                         |                       |                                  |            |             |
| Restricted  | 64,297                | 30,814                           | 340,914    | 252,000     |
| Unassigned  | -                     | -                                | -          | -           |
| TOTAL FUND BALANCES (DEFICITS)                    | 64,297                | 30,814                           | 340,914    | 252,000     |
| <br>  |                       |                                  |            |             |
| TOTAL LIABILITIES AND<br>FUND BALANCES (DEFICITS) | \$ 64,297             | \$ 32,324                        | \$ 350,987 | \$ 252,000  |

Special Revenue Funds (Continued)

| Park Bond Grant | Transportation Development Act | SB1 RMRA         | Measure M         | Miscellaneous Grants | Total Other Governmental Funds |
|-----------------|--------------------------------|------------------|-------------------|----------------------|--------------------------------|
| \$ 2,273        | \$ -                           | \$ 78,025        | \$ 212,034        | \$ -                 | \$ 1,854,014                   |
| -               | -                              | -                | -                 | -                    | 34,141                         |
| -               | -                              | -                | -                 | -                    | 252,000                        |
| 7,418           | -                              | -                | -                 | -                    | 22,147                         |
| -               | -                              | -                | -                 | -                    | 38,598                         |
| <u>\$ 9,691</u> | <u>\$ -</u>                    | <u>\$ 78,025</u> | <u>\$ 212,034</u> | <u>\$ -</u>          | <u>\$ 2,200,900</u>            |
| \$ -            | \$ -                           | \$ -             | \$ -              | \$ 25,500            | \$ 180,055                     |
| 64              | -                              | -                | -                 | -                    | 18,514                         |
| 114             | -                              | -                | -                 | -                    | 20,580                         |
| -               | -                              | -                | -                 | 116                  | 8,695                          |
| <u>178</u>      | <u>-</u>                       | <u>-</u>         | <u>-</u>          | <u>25,616</u>        | <u>227,844</u>                 |
| <u>7,418</u>    | <u>-</u>                       | <u>-</u>         | <u>-</u>          | <u>-</u>             | <u>22,147</u>                  |
| 2,095           | -                              | 78,025           | 212,034           | -                    | 1,991,361                      |
| -               | -                              | -                | -                 | (25,616)             | (40,452)                       |
| <u>2,095</u>    | <u>-</u>                       | <u>78,025</u>    | <u>212,034</u>    | <u>(25,616)</u>      | <u>1,950,909</u>               |
| <u>\$ 9,691</u> | <u>\$ -</u>                    | <u>\$ 78,025</u> | <u>\$ 212,034</u> | <u>\$ -</u>          | <u>\$ 2,200,900</u>            |

CITY OF SOUTH EL MONTE

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

For the year ended June 30, 2018

|   | Special Revenue Funds |                    |                      |                        |
|---|-----------------------|--------------------|----------------------|------------------------|
|   | State Gax Tax         | Older American Act | Maintenance District | Air Quality Management |
| REVENUES:   |                       |                    |                      |                        |
| Taxes   | \$ -                  | \$ -               | \$ 923               | \$ -                   |
| Use of money and property                               | -                     | -                  | 55                   | 63                     |
| Charges for services                                    | -                     | -                  | -                    | -                      |
| Intergovernmental                                       | 443,297               | 231,421            | -                    | 7,975                  |
| Other revenues  | -                     | -                  | -                    | -                      |
| <b>TOTAL REVENUES</b>                                   | <b>443,297</b>        | <b>231,421</b>     | <b>978</b>           | <b>8,038</b>           |
| EXPENDITURES:   |                       |                    |                      |                        |
| Current:  |                       |                    |                      |                        |
| General government                                      | -                     | -                  | -                    | -                      |
| Public safety   | -                     | -                  | -                    | -                      |
| Community development                                   | -                     | -                  | -                    | -                      |
| Public works/utilities                                  | 575,906               | -                  | 30                   | 5,936                  |
| Community services programs                             | -                     | 289,352            | -                    | -                      |
| Capital outlay  | -                     | -                  | -                    | -                      |
| <b>TOTAL EXPENDITURES</b>                               | <b>575,906</b>        | <b>289,352</b>     | <b>30</b>            | <b>5,936</b>           |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>(132,609)</b>      | <b>(57,931)</b>    | <b>948</b>           | <b>2,102</b>           |
| OTHER FINANCING SOURCES (USES):                         |                       |                    |                      |                        |
| Transfers in  | 41,489                | 57,931             | -                    | -                      |
| Transfers out   | (75,708)              | -                  | -                    | -                      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>         | <b>(34,219)</b>       | <b>57,931</b>      | <b>-</b>             | <b>-</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <b>(166,828)</b>      | <b>-</b>           | <b>948</b>           | <b>2,102</b>           |
| FUND BALANCES (DEFICITS) -<br>BEGINNING OF YEAR         | 166,722               | -                  | 28,063               | 34,400                 |
| FUND BALANCES (DEFICITS) -<br>END OF YEAR               | \$ (106)              | \$ -               | \$ 29,011            | \$ 36,502              |

Special Revenue Funds (Continued)

| State Deferred<br>Loan Program | Community<br>Development<br>Block Grant | Prop A            | Prop C            | State COPS<br>Grants | Used Oil<br>Block Grant | Quimby in<br>Lieu Fees |
|--------------------------------|---|-------------------|-------------------|----------------------|-------------------------|------------------------|
| \$ -                           | \$ -                                    | \$ -              | \$ -              | \$ -                 | \$ -                    | \$ -                   |
| 27                             | -                                       | 1,009             | 235               | -                    | -                       | 258                    |
| -                              | -                                       | 5,663             | -                 | -                    | -                       | -                      |
| -                              | 232,014                                 | 388,249           | 325,666           | 139,416              | 5,525                   | -                      |
| -                              | -                                       | -                 | -                 | -                    | -                       | -                      |
| <u>27</u>                      | <u>232,014</u>                          | <u>394,921</u>    | <u>325,901</u>    | <u>139,416</u>       | <u>5,525</u>            | <u>258</u>             |
| -                              | -                                       | -                 | -                 | -                    | -                       | -                      |
| -                              | -                                       | -                 | -                 | 184,420              | -                       | -                      |
| -                              | -                                       | -                 | 49,311            | -                    | 6,570                   | -                      |
| -                              | 246,062                                 | 306,787           | -                 | -                    | -                       | -                      |
| -                              | -                                       | -                 | -                 | -                    | -                       | 5,547                  |
| <u>-</u>                       | <u>246,062</u>                          | <u>306,787</u>    | <u>49,311</u>     | <u>184,420</u>       | <u>6,570</u>            | <u>5,547</u>           |
| <u>27</u>                      | <u>(14,048)</u>                         | <u>88,134</u>     | <u>276,590</u>    | <u>(45,004)</u>      | <u>(1,045)</u>          | <u>(5,289)</u>         |
| -                              | -                                       | -                 | 32,456            | 45,004               | -                       | -                      |
| -                              | -                                       | -                 | (140,885)         | -                    | -                       | -                      |
| <u>-</u>                       | <u>-</u>                                | <u>-</u>          | <u>(108,429)</u>  | <u>45,004</u>        | <u>-</u>                | <u>-</u>               |
| 27                             | (14,048)                                | 88,134            | 168,161           | -                    | (1,045)                 | (5,289)                |
| <u>1,962</u>                   | <u>(682)</u>                            | <u>480,825</u>    | <u>76,100</u>     | <u>-</u>             | <u>6,001</u>            | <u>130,793</u>         |
| <u>\$ 1,989</u>                | <u>\$ (14,730)</u>                      | <u>\$ 568,959</u> | <u>\$ 244,261</u> | <u>\$ -</u>          | <u>\$ 4,956</u>         | <u>\$ 125,504</u>      |

CITY OF SOUTH EL MONTE

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

For the year ended June 30, 2018

|   | Special Revenue Funds |                                  |                  |             |
|---|-----------------------|----------------------------------|------------------|-------------|
|   | PEG                   | Beverage<br>Container<br>Recycle | Measure R        | BEGIN Grant |
| REVENUES:   |                       |                                  |                  |             |
| Taxes   | \$ -                  | \$ -                             | \$ 241,206       | \$ -        |
| Use of money and property                               | 110                   | -                                | 1,015            | -           |
| Charges for services                                    | -                     | -                                | -                | -           |
| Intergovernmental                                       | -                     | 5,778                            | -                | -           |
| Other revenues  | 7,833                 | -                                | -                | -           |
| <b>TOTAL REVENUES</b>                                   | <b>7,943</b>          | <b>5,778</b>                     | <b>242,221</b>   | <b>-</b>    |
| EXPENDITURES:   |                       |                                  |                  |             |
| Current:  |                       |                                  |                  |             |
| General government                                      | -                     | -                                | -                | -           |
| Public safety   | -                     | -                                | -                | -           |
| Community development                                   | -                     | 4,074                            | -                | -           |
| Public works/utilities                                  | -                     | -                                | 262,915          | -           |
| Community services programs                             | -                     | -                                | -                | -           |
| Capital outlay  | -                     | -                                | -                | -           |
| <b>TOTAL EXPENDITURES</b>                               | <b>-</b>              | <b>4,074</b>                     | <b>262,915</b>   | <b>-</b>    |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>7,943</b>          | <b>1,704</b>                     | <b>(20,694)</b>  | <b>-</b>    |
| OTHER FINANCING SOURCES (USES):                         |                       |                                  |                  |             |
| Transfers in  | -                     | -                                | -                | -           |
| Transfers out   | -                     | -                                | (147,083)        | -           |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>         | <b>-</b>              | <b>-</b>                         | <b>(147,083)</b> | <b>-</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <b>7,943</b>          | <b>1,704</b>                     | <b>(167,777)</b> | <b>-</b>    |
| FUND BALANCES (DEFICITS) -<br>BEGINNING OF YEAR         | 56,354                | 29,110                           | 508,691          | 252,000     |
| FUND BALANCES (DEFICITS) -<br>END OF YEAR               | \$ 64,297             | \$ 30,814                        | \$ 340,914       | \$ 252,000  |

Special Revenue Funds (Continued)

| Park Bond<br>Grant | Transportation<br>Development<br>Act | SB1 RMRA         | Measure M         | Miscellaneous<br>Grants | Total Other<br>Governmental<br>Funds |
|--------------------|--------------------------------------|------------------|-------------------|-------------------------|--------------------------------------|
| \$ 24,462          | \$ -                                 | \$ -             | \$ -              | \$ -                    | \$ 266,591                           |
| -                  | -                                    | -                | 10                | -                       | 2,782                                |
| -                  | -                                    | -                | -                 | -                       | 5,663                                |
| -                  | -                                    | 78,025           | 218,589           | -                       | 2,075,955                            |
| -                  | -                                    | -                | -                 | -                       | 7,833                                |
| <u>24,462</u>      | <u>-</u>                             | <u>78,025</u>    | <u>218,599</u>    | <u>-</u>                | <u>2,358,824</u>                     |
| -                  | -                                    | -                | -                 | -                       | -                                    |
| -                  | -                                    | -                | -                 | -                       | 184,420                              |
| -                  | -                                    | -                | -                 | 25,616                  | 29,690                               |
| -                  | -                                    | -                | -                 | -                       | 900,668                              |
| 4,483              | -                                    | -                | -                 | -                       | 846,684                              |
| -                  | -                                    | -                | -                 | -                       | 5,547                                |
| <u>4,483</u>       | <u>-</u>                             | <u>-</u>         | <u>-</u>          | <u>25,616</u>           | <u>1,967,009</u>                     |
| <u>19,979</u>      | <u>-</u>                             | <u>78,025</u>    | <u>218,599</u>    | <u>(25,616)</u>         | <u>391,815</u>                       |
| -                  | -                                    | -                | -                 | -                       | 176,880                              |
| <u>(16,488)</u>    | <u>-</u>                             | <u>-</u>         | <u>(6,565)</u>    | <u>-</u>                | <u>(386,729)</u>                     |
| <u>(16,488)</u>    | <u>-</u>                             | <u>-</u>         | <u>(6,565)</u>    | <u>-</u>                | <u>(209,849)</u>                     |
| 3,491              | -                                    | 78,025           | 212,034           | (25,616)                | 181,966                              |
| <u>(1,396)</u>     | <u>-</u>                             | <u>-</u>         | <u>-</u>          | <u>-</u>                | <u>1,768,943</u>                     |
| <u>\$ 2,095</u>    | <u>\$ -</u>                          | <u>\$ 78,025</u> | <u>\$ 212,034</u> | <u>\$ (25,616)</u>      | <u>\$ 1,950,909</u>                  |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - STATE GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2018

|  | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|---|
| REVENUES:                                |                  |                  |   |
| Intergovernmental                        | \$ 587,305       | \$ 443,297       | \$ (144,008)  |
| TOTAL REVENUES                           | <u>587,305</u>   | <u>443,297</u>   | <u>(144,008)</u>  |
| EXPENDITURES:                            |                  |                  |   |
| Current:                                 |                  |                  |   |
| Public works/utilities                   | 643,530          | 575,906          | 67,624  |
| TOTAL EXPENDITURES                       | <u>643,530</u>   | <u>575,906</u>   | <u>67,624</u>   |
| EXCESS OF REVENUES<br>UNDER EXPENDITURES | <u>(56,225)</u>  | <u>(132,609)</u> | <u>(76,384)</u>   |
| OTHER FINANCING USES:                    |                  |                  |   |
| Transfers in                             | -                | 41,489           | 41,489  |
| Transfers out                            | <u>(39,680)</u>  | <u>(75,708)</u>  | <u>(36,028)</u>   |
| TOTAL OTHER FINANCING USES               | <u>(39,680)</u>  | <u>(34,219)</u>  | <u>5,461</u>  |
| NET CHANGE IN FUND BALANCE               | (95,905)         | (166,828)        | (70,923)  |
| FUND BALANCE - BEGINNING OF YEAR         | <u>166,722</u>   | <u>166,722</u>   | <u>-</u>  |
| FUND BALANCE - END OF YEAR               | <u>\$ 70,817</u> | <u>\$ (106)</u>  | <u>\$ (70,923)</u>                                      |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - OLDER AMERICAN ACT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget  | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-----------------|---|
| REVENUES:                                       |                  |                 |   |
| Intergovernmental                               | \$ 219,730       | \$ 231,421      | \$ 11,691   |
| TOTAL REVENUES                                  | <u>219,730</u>   | <u>231,421</u>  | <u>11,691</u>   |
| EXPENDITURES:                                   |                  |                 |   |
| Current:  |                  |                 |   |
| Community services programs                     | 334,730          | 289,352         | 45,378  |
| TOTAL EXPENDITURES                              | <u>334,730</u>   | <u>289,352</u>  | <u>45,378</u>   |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(115,000)</u> | <u>(57,931)</u> | <u>57,069</u>   |
| OTHER FINANCING SOURCES:                        |                  |                 |   |
| Transfers in                                    | 115,000          | 57,931          | (57,069)  |
| TOTAL OTHER FINANCING SOURCES                   | <u>115,000</u>   | <u>57,931</u>   | <u>(57,069)</u>   |
| NET CHANGE IN FUND BALANCE                      | -                | -               | -   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>-</u>         | <u>-</u>        | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>   |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - MAINTENANCE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------|------------------|---|
| REVENUES:                                       |                 |                  |   |
| Taxes   | \$ 500          | \$ 923           | \$ 423  |
| Use of money and property                       | -               | 55               | 55  |
| TOTAL REVENUES                                  | <u>500</u>      | <u>978</u>       | <u>478</u>  |
| EXPENDITURES:                                   |                 |                  |   |
| Current:  |                 |                  |   |
| Public works/utilities                          | <u>22,716</u>   | <u>30</u>        | <u>22,686</u>   |
| TOTAL EXPENDITURES                              | <u>22,716</u>   | <u>30</u>        | <u>22,686</u>   |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(22,216)</u> | <u>948</u>       | <u>23,164</u>   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>28,063</u>   | <u>28,063</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 5,847</u> | <u>\$ 29,011</u> | <u>\$ 23,164</u>  |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|---|
| REVENUES:                                       |                  |                  |   |
| Use of money and property                       | \$ 100           | \$ 63            | \$ (37)   |
| Intergovernmental                               | 12,900           | 7,975            | (4,925)   |
| TOTAL REVENUES                                  | <u>13,000</u>    | <u>8,038</u>     | <u>(4,962)</u>  |
| EXPENDITURES:                                   |                  |                  |   |
| Current:  |                  |                  |   |
| Public works/utilities                          | 8,250            | 5,936            | 2,314   |
| TOTAL EXPENDITURES                              | <u>8,250</u>     | <u>5,936</u>     | <u>2,314</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>4,750</u>     | <u>2,102</u>     | <u>(2,648)</u>  |
| NET CHANGE IN FUND BALANCE                      | 4,750            | 2,102            | (2,648)   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>34,400</u>    | <u>34,400</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 39,150</u> | <u>\$ 36,502</u> | <u>\$ (2,648)</u>                                       |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget  | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|--------------------|---|
| REVENUES:                                       |                  |                    |   |
| Intergovernmental                               | \$ 368,953       | \$ 232,014         | \$ (136,939)  |
| TOTAL REVENUES                                  | <u>368,953</u>   | <u>232,014</u>     | <u>(136,939)</u>  |
| EXPENDITURES:                                   |                  |                    |   |
| Current:  |                  |                    |   |
| Community services programs                     | -                | 246,062            | (246,062)   |
| TOTAL EXPENDITURES                              | <u>-</u>         | <u>246,062</u>     | <u>(246,062)</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>368,953</u>   | <u>(14,048)</u>    | <u>(383,001)</u>  |
| OTHER FINANCING USES:                           |                  |                    |   |
| Transfers out                                   | (368,953)        | -                  | 368,953   |
| TOTAL OTHER FINANCING USES                      | <u>(368,953)</u> | <u>-</u>           | <u>368,953</u>  |
| NET CHANGE IN FUND BALANCE                      | -                | (14,048)           | (14,048)  |
| FUND BALANCE - BEGINNING OF YEAR                | <u>(682)</u>     | <u>(682)</u>       | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ (682)</u>  | <u>\$ (14,730)</u> | <u>\$ (14,048)</u>                                      |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - PROP A SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---|
| REVENUES:                               |                   |                   |   |
| Use of money and property               | \$ 200            | \$ 1,009          | \$ 809  |
| Charges for services                    | 6,500             | 5,663             | (837)   |
| Intergovernmental                       | 419,943           | 388,249           | (31,694)  |
| TOTAL REVENUES                          | <u>426,643</u>    | <u>394,921</u>    | <u>(31,722)</u>   |
| EXPENDITURES:                           |                   |                   |   |
| Current:                                |                   |                   |   |
| Community services programs             | 352,130           | 306,787           | 45,343  |
| TOTAL EXPENDITURES                      | <u>352,130</u>    | <u>306,787</u>    | <u>45,343</u>   |
| EXCESS OF REVENUES<br>OVER EXPENDITURES | <u>74,513</u>     | <u>88,134</u>     | <u>13,621</u>   |
| NET CHANGE IN FUND BALANCE              | 74,513            | 88,134            | 13,621  |
| FUND BALANCE - BEGINNING OF YEAR        | <u>480,825</u>    | <u>480,825</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR              | <u>\$ 555,338</u> | <u>\$ 568,959</u> | <u>\$ 13,621</u>  |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - PROP C SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---|
| REVENUES:                                       |                   |                   |   |
| Use of money and property                       | \$ 500            | \$ 235            | \$ (265)  |
| Intergovernmental                               | 348,331           | 325,666           | (22,665)  |
| TOTAL REVENUES                                  | <u>348,831</u>    | <u>325,901</u>    | <u>(22,930)</u>   |
| EXPENDITURES:                                   |                   |                   |   |
| Current:  |                   |                   |   |
| Public works/utilities                          | 56,870            | 49,311            | 7,559   |
| TOTAL EXPENDITURES                              | <u>56,870</u>     | <u>49,311</u>     | <u>7,559</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>291,961</u>    | <u>276,590</u>    | <u>(15,371)</u>   |
| OTHER FINANCING USES:                           |                   |                   |   |
| Transfers out                                   | -                 | (140,885)         | (140,885)   |
| TOTAL OTHER FINANCING USES                      | <u>-</u>          | <u>(108,429)</u>  | <u>(108,429)</u>  |
| NET CHANGE IN FUND BALANCE                      | 291,961           | 168,161           | (123,800)   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>76,100</u>     | <u>76,100</u>     | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 368,061</u> | <u>\$ 244,261</u> | <u>\$ (123,800)</u>                                     |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - STATE COPS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|  | Final<br>Budget | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------|-----------------|---|
| REVENUES:                                |                 |                 |   |
| Intergovernmental                        | \$ 100,000      | \$ 139,416      | \$ 39,416   |
| TOTAL REVENUES                           | <u>100,000</u>  | <u>139,416</u>  | <u>39,416</u>   |
| EXPENDITURES:                            |                 |                 |   |
| Current:                                 |                 |                 |   |
| Public safety                            | 100,000         | 184,420         | (84,420)  |
| TOTAL EXPENDITURES                       | <u>100,000</u>  | <u>184,420</u>  | <u>(84,420)</u>   |
| EXCESS OF REVENUES<br>UNDER EXPENDITURES | <u>-</u>        | <u>(45,004)</u> | <u>(45,004)</u>   |
| OTHER FINANCING SOURCES:                 |                 |                 |   |
| Transfers in                             | -               | 45,004          | 45,004  |
| TOTAL OTHER FINANCING SOURCES            | <u>-</u>        | <u>45,004</u>   | <u>45,004</u>   |
| NET CHANGE IN FUND BALANCE               | -               | -               | -   |
| FUND BALANCE - BEGINNING OF YEAR         | <u>-</u>        | <u>-</u>        | <u>-</u>  |
| FUND BALANCE - END OF YEAR               | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>   |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - USED OIL BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2018

|  | Final<br>Budget | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------|-----------------|---|
| REVENUES:                                |                 |                 |   |
| Intergovernmental                        | \$ 5,800        | \$ 5,525        | \$ (275)  |
| TOTAL REVENUES                           | <u>5,800</u>    | <u>5,525</u>    | <u>(275)</u>  |
| EXPENDITURES:                            |                 |                 |   |
| Current:                                 |                 |                 |   |
| Public works/utilities                   | <u>6,500</u>    | <u>6,570</u>    | <u>(70)</u>   |
| TOTAL EXPENDITURES                       | <u>6,500</u>    | <u>6,570</u>    | <u>(70)</u>   |
| EXCESS OF REVENUES<br>UNDER EXPENDITURES | <u>(700)</u>    | <u>(1,045)</u>  | <u>(345)</u>  |
| FUND BALANCE - BEGINNING OF YEAR         | <u>6,001</u>    | <u>6,001</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR               | <u>\$ 5,301</u> | <u>\$ 4,956</u> | <u>\$ (345)</u>   |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - QUIMBY IN LIEU FEES SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---|
| REVENUES:                                       |                   |                   |   |
| Taxes   | \$ 50,000         | \$ -              | \$ (50,000)   |
| Use of money and property                       | 400               | 258               | (142)   |
| TOTAL REVENUES                                  | <u>50,400</u>     | <u>258</u>        | <u>(50,142)</u>   |
| EXPENDITURES:                                   |                   |                   |   |
| Capital outlay                                  | <u>12,500</u>     | <u>5,547</u>      | <u>6,953</u>  |
| TOTAL EXPENDITURES                              | <u>12,500</u>     | <u>5,547</u>      | <u>6,953</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>37,900</u>     | <u>(5,289)</u>    | <u>(43,189)</u>   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>130,793</u>    | <u>130,793</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 168,693</u> | <u>\$ 125,504</u> | <u>\$ (43,189)</u>                                      |

CITY OF SOUTH EL MONTE

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

For the year ended June 30, 2018

|   | Final<br>Budget         | Actual                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|-------------------------|---|
| REVENUES:                               |                         |                         |   |
| Use of money and property               | \$ 50                   | \$ 110                  | \$ 60   |
| Other revenues                          | 4,950                   | 7,833                   | 2,883   |
| TOTAL REVENUES                          | <u>5,000</u>            | <u>7,943</u>            | <u>2,943</u>  |
| EXPENDITURES                            | <u>-</u>                | <u>-</u>                | <u>-</u>  |
| EXCESS OF REVENUES<br>OVER EXPENDITURES | <u>5,000</u>            | <u>7,943</u>            | <u>2,943</u>  |
| FUND BALANCE - BEGINNING OF YEAR        | <u>56,354</u>           | <u>56,354</u>           | <u>-</u>  |
| FUND BALANCE - END OF YEAR              | <u><u>\$ 61,354</u></u> | <u><u>\$ 64,297</u></u> | <u><u>\$ 2,943</u></u>                                  |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - BEVERAGE CONTAINER RECYCLE SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|---|
| REVENUES:                                       |                  |                  |   |
| Intergovernmental                               | \$ 5,000         | \$ 5,778         | \$ 778  |
| TOTAL REVENUES                                  | <u>5,000</u>     | <u>5,778</u>     | <u>778</u>  |
| EXPENDITURES:                                   |                  |                  |   |
| Current:  |                  |                  |   |
| Community development                           | 15,000           | 4,074            | 10,926  |
| TOTAL EXPENDITURES                              | <u>15,000</u>    | <u>4,074</u>     | <u>10,926</u>   |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(10,000)</u>  | <u>1,704</u>     | <u>11,704</u>   |
| FUND BALANCE - BEGINNING OF YEAR                | <u>29,110</u>    | <u>29,110</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 19,110</u> | <u>\$ 30,814</u> | <u>\$ 11,704</u>  |

CITY OF SOUTH EL MONTE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2018

|   | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---|
| REVENUES:                                       |                   |                   |   |
| Taxes   | \$ 261,249        | \$ 241,206        | \$ (20,043)   |
| Use of money and property                       | 500               | 1,015             | 515   |
| TOTAL REVENUES                                  | <u>261,749</u>    | <u>242,221</u>    | <u>(19,528)</u>   |
| EXPENDITURES:                                   |                   |                   |   |
| Current:  |                   |                   |   |
| Public works/utilities                          | <u>257,830</u>    | <u>262,915</u>    | <u>(5,085)</u>  |
| TOTAL EXPENDITURES                              | <u>257,830</u>    | <u>262,915</u>    | <u>(5,085)</u>  |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>3,919</u>      | <u>(20,694)</u>   | <u>(24,613)</u>   |
| OTHER FINANCING USES:                           |                   |                   |   |
| Transfers out                                   | <u>(233,850)</u>  | <u>(147,083)</u>  | <u>86,767</u>   |
| TOTAL OTHER FINANCING USES                      | <u>(233,850)</u>  | <u>(147,083)</u>  | <u>86,767</u>   |
| NET CHANGE IN FUND BALANCE                      | (229,931)         | (167,777)         | 62,154  |
| FUND BALANCE - BEGINNING OF YEAR                | <u>508,691</u>    | <u>508,691</u>    | <u>-</u>  |
| FUND BALANCE - END OF YEAR                      | <u>\$ 278,760</u> | <u>\$ 340,914</u> | <u>\$ 62,154</u>  |