

CITY OF SOUTH GATE, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2014

CITY OF SOUTH GATE, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

JUNE 30, 2014

PREPARED BY:
DEPARTMENT OF FINANCE

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CITY OF SOUTH GATE
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JUNE 30, 2014

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City of South Gate

8650 CALIFORNIA AVENUE • SOUTH GATE, CA 90280 • (323) 563-9523
FAX: (323) 563-9552

FINANCE DEPARTMENT

December 31, 2014

Honorable Mayor and Members of the City Council:

The Comprehensive Annual Financial Report (CAFR) of the City of South Gate for the Fiscal Year Ended June 30, 2014 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of South Gate issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component unit of the City of South Gate. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial section of the CAFR includes management's discussion and analysis (MD&A) of the financial activity. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of South Gate as legally defined), as well as its component units, the South Gate Utility Authority, the South Gate Housing Authority and the South Gate Public Financing Authority. A component unit is a legally separate entity for which the primary government is financially accountable. The City provides a broad range of services, including police protection, safe drinking water, solid waste collection, construction and maintenance of streets and other infrastructure, planning and zoning activities, recreational activities, cultural events, and general administrative services. The City of South Gate is a full service city, meaning that (except for fire protection services) most of these services are delivered by the City's own employees.

Special districts of the County of Los Angeles provide library services and fire protection services. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, from the financial reporting entity because they do not meet the established criteria for inclusion.

Profile of the City of South Gate

The City of South Gate was incorporated on January 20, 1923 under the general laws of the State of California. South Gate encompasses 7.49 square miles and is located in the heart of the Los Angeles Metropolitan area approximately 10 miles south of downtown Los Angeles. Services provided by the City include administration, public works, planning and building, police, and parks and recreation. The official population is 95,304. The population of this working class city is predominately Latino and overwhelmingly young with nearly one-third of the population under the age of 18 years.

Centrally located, South Gate is an ideal location for commerce with downtown Los Angeles, Los Angeles International Airport, and the Ports of Los Angeles and Long Beach all within a 15-mile radius. The City is linked to these sites by several major transportation thoroughfares, including the Long Beach and Century freeways, Firestone and Alameda Boulevards, and an extensive rail system with services provided by the Union Pacific and Southern Pacific Railroads. With a diverse mix of residential, commercial and industrial areas, the City has promoted itself as an area rich in economic opportunities and has several projects slated for development over the next ten years that will play a significant role in revitalizing the community.

The City has operated under the council-manager form of government since incorporation. Policy-making and legislative authority are vested in the governing City Council, which consists of five Council Members, including the Mayor and Mayor Pro-Tem. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City Council is elected on a non-partisan, at-large basis. Council Members are elected to four-year staggered terms with two or three Council Members elected every two years. The City Council designates the Mayor and Mayor Pro-Tem for a one-year term.

Financial Information

Internal Control

The Administrative Services department of the City is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls

The City of South Gate maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council. Activities of the General fund, Special Revenue funds, Capital Projects funds, Debt Service funds and the Permanent funds are included in the annual appropriated budgets of the government units. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department/function level within each fund. Formal budgetary integration is employed as a management control device. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control.

Budget to Actual Comparison

The City experienced a \$5.8 million favorable budget variance in the General fund for the fiscal year ended June 30, 2014, comprising \$3.7 million in favorable revenue variances and \$2.1 million favorable expenditure variances. The favorable revenue variances include a \$1,225,114 increase in sales taxes, \$237,090 increase in Vehicle License Fee In-Lieu of property taxes, \$270,889 increase in the City's Sports Center Memberships and Aquatics programs. The remaining \$1.9 million favorable revenue variance is comprised of the following one time revenues; \$293,600 Residual Tax Increment from ABx1 26, \$617,888 building permits related to the completion of the Azalea development, \$528,022 cost reimbursements, \$242,028 Police grants, \$207,171 in legal settlements and miscellaneous revenues. With the exception of \$1,141,110 savings due to vacancies within the Police department, the overall expenditure variance was driven by favorable variances across most of the programs of the General Fund. Many of the favorable expenditure variances were the result of conservative budget practices and continued careful management of resources during FY 13-14.

Significant Financial Events

There were no changes to financial policies that resulted in a significant impact on the June 30, 2014 financial statements.

Other Information

Independent Audit

The City requires an annual audit by independent certified public accountants. The accounting firm of Lance, Soll & Lunghard, LLP conducted this year's audit. The auditors' report on the government-wide financial statements, combining and individual fund statements and schedules are included in the financial section of this report.

Single Audit

As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. For the year ended June 30, 2014, \$10,511,125 was expended on Federal financial assistance programs.

GFOA Certificate of Achievement Award

The Government Finance Officer's Association of the United States and Canada (GFOA) oversees a prestigious national award program to recognize conformance with the highest standards of report preparation. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Gate for its CAFR for the fiscal year ended June 30, 2013. This was the second consecutive year that the City of South Gate has achieved this prestigious award. A copy of the GFOA Certificate is included later in the introductory section of this year's CAFR. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

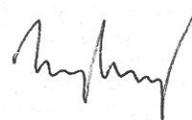
Acknowledgements

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department staff. We would like to express our appreciation to all members of the Finance Department and to Lance Soll & Lunghard, LLP, the City's independent auditors, for their professionalism and diligence in preparing this year's report. Finally, we would like to express our appreciation to the City Council, whose leadership and support has made the preparation of this report possible.

Respectfully submitted,



Michael Flad
City Manager

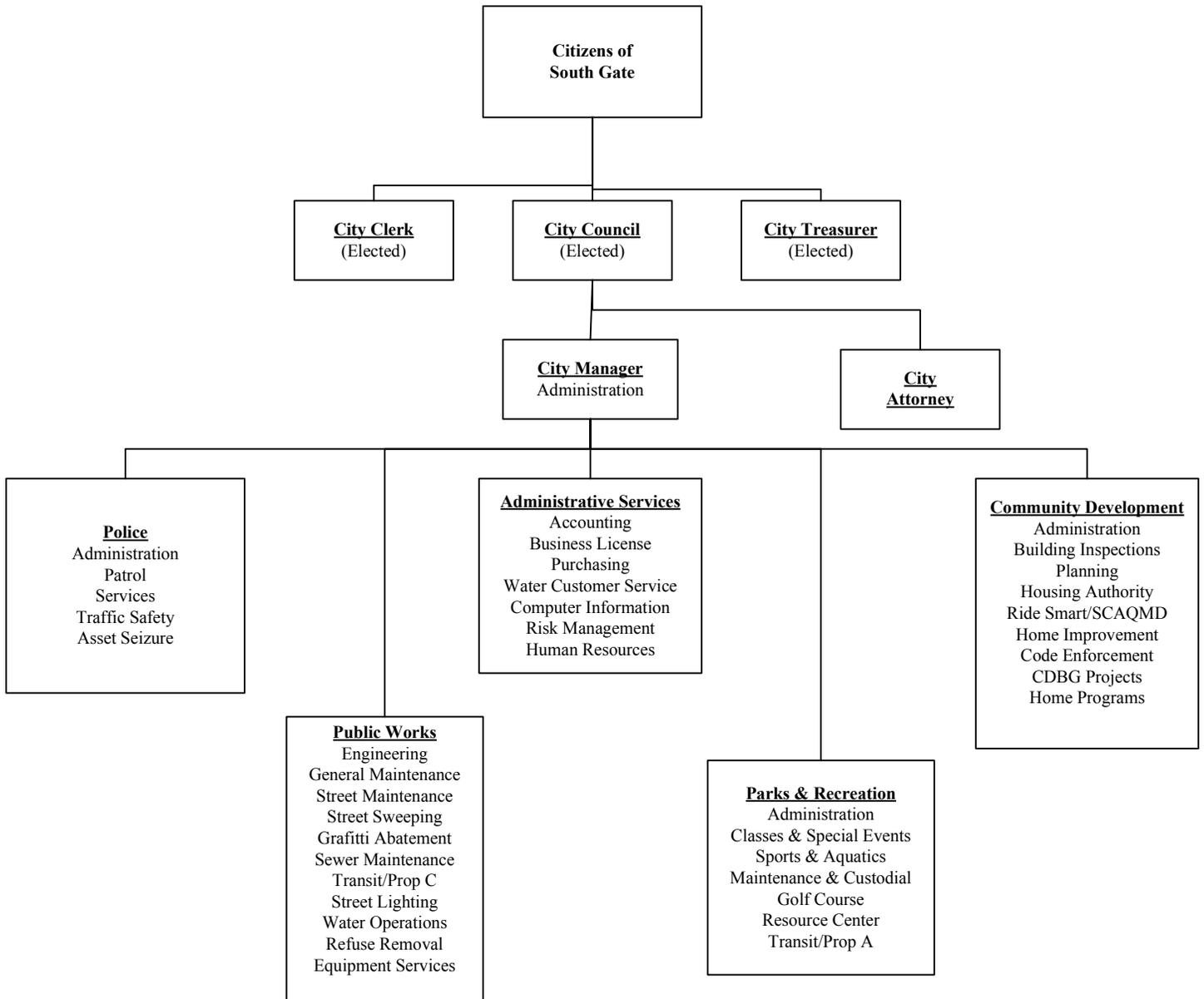


Misty Cheng
Director of Finance - Interim

**CITY OF SOUTH GATE
ELECTED AND ADMINISTRATIVE OFFICIALS**

Mayor	Henry C. Gonzalez
Vice Mayor	Jorge Morales
Councilmember	Maria Davila
Councilmember	Gil Hurtado
Councilmember	W. H. (Bill) DeWitt
City Clerk	Carmen Avalos
City Treasurer	Maria Belen Bernal
City Manager	Michael Flad
City Attorney	Raul Salinas
Director of Finance - Interim	Misty Cheng
Director of Public Works	Arturo Cervantes
Director of Community Development	Steve Lefever
Director of Parks and Recreation	Paul Adams
Chief of Police	Randy Davis

CITY OF SOUTH GATE





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of South Gate
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of South Gate, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of South Gate, California, (the City) as of and for the year ended June 30, 2014, 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.



To the Honorable Mayor and Members of the City Council
City of South Gate, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Gate, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information as listed in the 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 required supplementary information 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 information 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



To the Honorable Mayor and Members of the City Council
City of South Gate, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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 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.

Lance, Solt & Luyhard, LLP

Brea, California
December 19, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of South Gate provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

- The total assets and deferred outflows of the City of South Gate exceeded total liabilities and deferred inflows at the close of this fiscal year ended June 30, 2014 by \$273,563,039. This amount represents an increase over the previous fiscal year of \$13,760,294.
- As of June 30, 2014, the City's governmental activities reported combined ending net position of \$262,491,827, an increase of \$8,434,062 over the prior fiscal year. This increase is due to one-time revenues resulting from the residual tax increment from the former redevelopment agency of \$293,600, building permits and plan check fees related to the Azeala development of \$617,888, cost reimbursements of \$528,022, legal settlements of \$93,720, police task force grant of \$242,928 and one time miscellaneous revenues of \$113,451. Excluding these one-time revenues and adjustments the governmental activities combined ending net position increased by \$6,544,453.
- The City's business activities reported a combined ending net position of \$11,071,212, an improvement of \$5,326,232 from the previous fiscal year.
- As of June 30, 2014, the unassigned balance in the General Fund was \$12,691,460. The General Fund reported revenues in excess of expenditures of \$2,288,818 before other financing sources, which is inclusive of the one-time revenues noted in the governmental activities.
- The Capital Improvements Capital Project Fund reports a fund balance of \$832,030, a decrease of \$94,969 due to the use of previously received funding sources to pay for various projects completed during the fiscal year.
- The City continues to struggle with structural deficits, however it has developed a five year forecast model in order to facilitate discussions with its City Council on ways to address these deficits over the next several years.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City of South Gate as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which is comprised of three components: 1) government-wide financial statements,

2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both statements include not only the City of South Gate itself (known as the *primary government*) but also the South Gate Utility Authority, the Housing Authority of the City of South Gate and the South Gate Public Financing Authority, for which the City of South Gate is financially accountable. Financial information on these *component units* is reported separately from the financial information presented for the primary government itself.

After the dissolution of the South Gate Community Redevelopment Agency, the City of South Gate elected to become the Successor Agency for the former Community Development Commission and the remaining assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

- **Governmental funds.** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the *modified accrual* method of accounting, which measures cash and all other *current* financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* are described in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds.** When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional

information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

- **Fiduciary funds.** The City of South Gate is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. These activities are excluded from the other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on the pages immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, providing budgetary comparison schedules for budgeted vs. actual revenues and expenditures in the City's major funds.

The combining statements referred to earlier in connection with the non-major governmental funds and internal service funds are presented immediately following the required supplementary information on budget comparisons.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of South Gate, assets and deferred outflows of resources exceeded liabilities by \$262,491,827 at June 30, 2014.

City of South Gate Net Position (in millions)

	Governmental Activities 2014	Business-type Activities 2014	Total 2014	Total 2013
Current and other assets	\$ 93.9	\$ 14.3	\$ 108.2	\$ 99.1
Capital assets	227.3	44.8	272.1	269.8
Total assets	321.2	59.1	380.3	368.9
Deferred Outflows	0.3	0.3	0.6	0.6
Total deferred outflows	0.3	0.3	0.6	0.6
Long-term debt outstanding	52.4	44.1	96.5	89.5
Other liabilities	6.6	4.1	10.7	20.2
Total liabilities	59.0	48.2	107.2	109.7
Net position:				
Net investment in capital assets	227.3	44.8	272.1	268.2
Restricted	21.3	14.6	35.9	33.6
Unrestricted	13.9	(48.2)	(34.3)	(42.0)
Total net position	\$ 262.5	\$ 11.2	\$ 273.7	\$ 259.8

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of South Gate uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

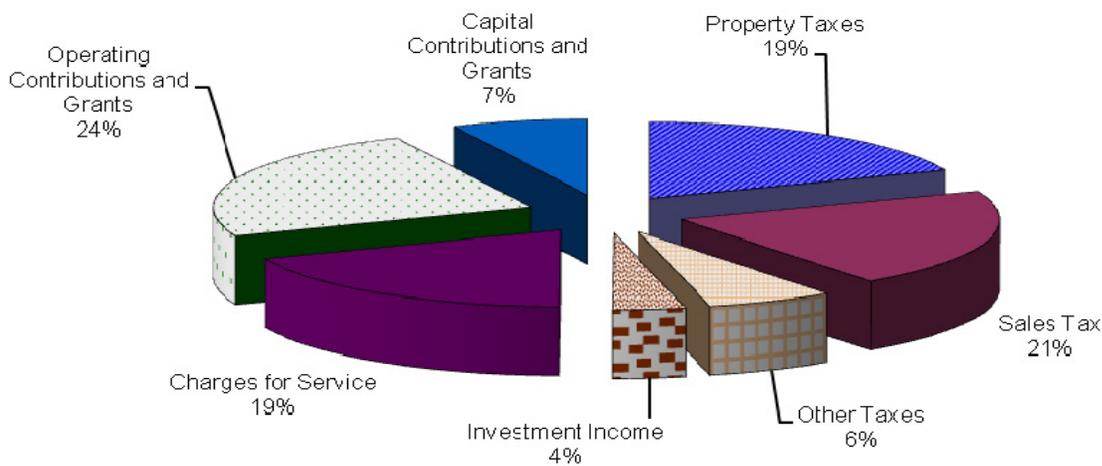
**City of South Gate Changes in Net Position
(in millions)**

	Governmental Activities 2014	Business-type Activities 2014	Total 2014	Total 2013
Revenues				
Program revenues:				
Charges for services	\$ 12.7	\$ 22.4	\$ 35.1	\$ 30.9
Operating grants/contributions	16.4	0.1	16.5	14.9
Capital contributions/grants	4.7	-	4.7	3.7
General revenues:				
Property taxes	12.8	-	12.8	13.3
Sales taxes	14.2	-	14.2	13.3
Other taxes	4.4	-	4.4	4.2
Investment income	2.5	0.1	2.6	2.7
Other revenue	0.8	0.3	1.1	2.4
Total revenues	68.5	22.9	91.4	85.4
Program expenses				
General government	4.6	-	4.6	5.6
Public works	16.0	-	16.0	15.5
Parks and recreation	5.5	-	5.5	5.2
Police	20.3	-	20.3	20.1
Community development	11.7	-	11.7	10.5
Interest expense	2.1	-	2.1	2.2
Sewer	-	1.6	1.6	1.5
Water	-	12.3	12.3	12.8
Refuse	-	3.5	3.5	3.5
Total expenses	60.2	17.4	77.6	76.9
Increase in net position before transfers	8.3	5.5	13.8	8.5
Transfers	0.1	(0.1)	-	-
Increase in net position	8.4	5.4	13.8	8.5
Beginning net position	254.1	5.7	259.8	252.7
Restatement of net position	-	-	-	(1.4)
Ending net position	\$ 262.5	\$ 11.1	\$ 273.6	\$ 259.8

Governmental Activities. Net Position increased by \$8,434,062. This is primarily the result of improvements in the local economy due to the Azalea development, onetime revenues and continued careful management of resources. The one time revenues include residual tax increment from the former Community Development Commission, miscellaneous legal settlements, cost reimbursements and a onetime police grant award. Revenues and expenses increased. Revenues increased by approximately 5.7%, primarily due to increases in Charges for Services, Operating grants, Capital contributions grants and increases in Sales Taxes. Program expenses increased by 1.8% as result of continued retirements during the year which were not filled. Additional expense savings were due to a reduction of Maintenance and Operations cost through improved efficiencies in Operations and obtaining more favorable discounts on supplies.

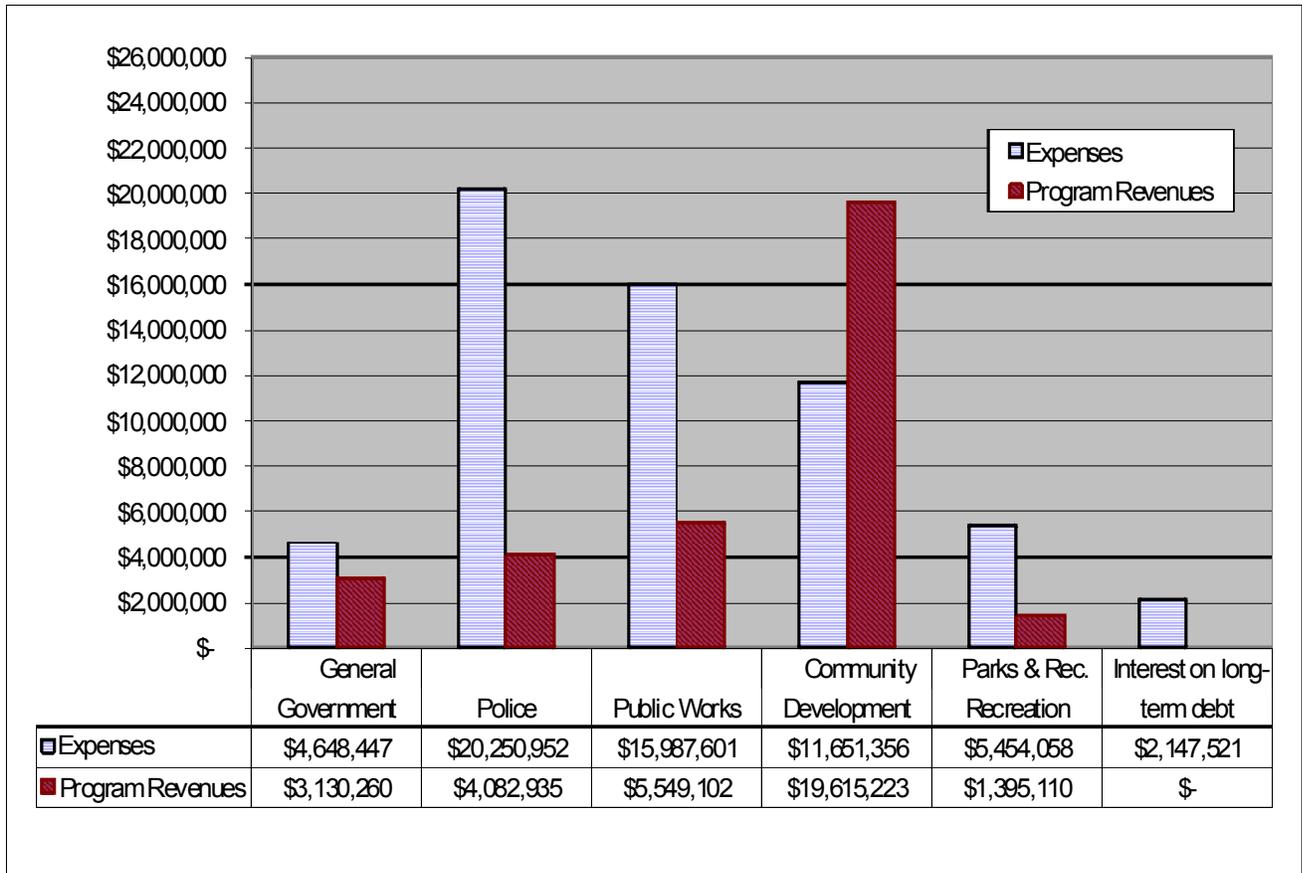
The City of South Gate relies heavily on federal, state and local grant funds as a major funding source for capital projects. Property tax, State funds and Sales tax remain the most significant portion of the Governmental Activities revenue stream.

Revenues by Source – Governmental Activities



The cost of all Governmental activities this year was \$60,139,935. Of this amount, \$12,713,990 was paid for by those who directly benefited from programs provided, \$21,058,640 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$26,367,305 was financed through general taxes and other revenues.

Expenses and Program Revenues – Governmental Activities



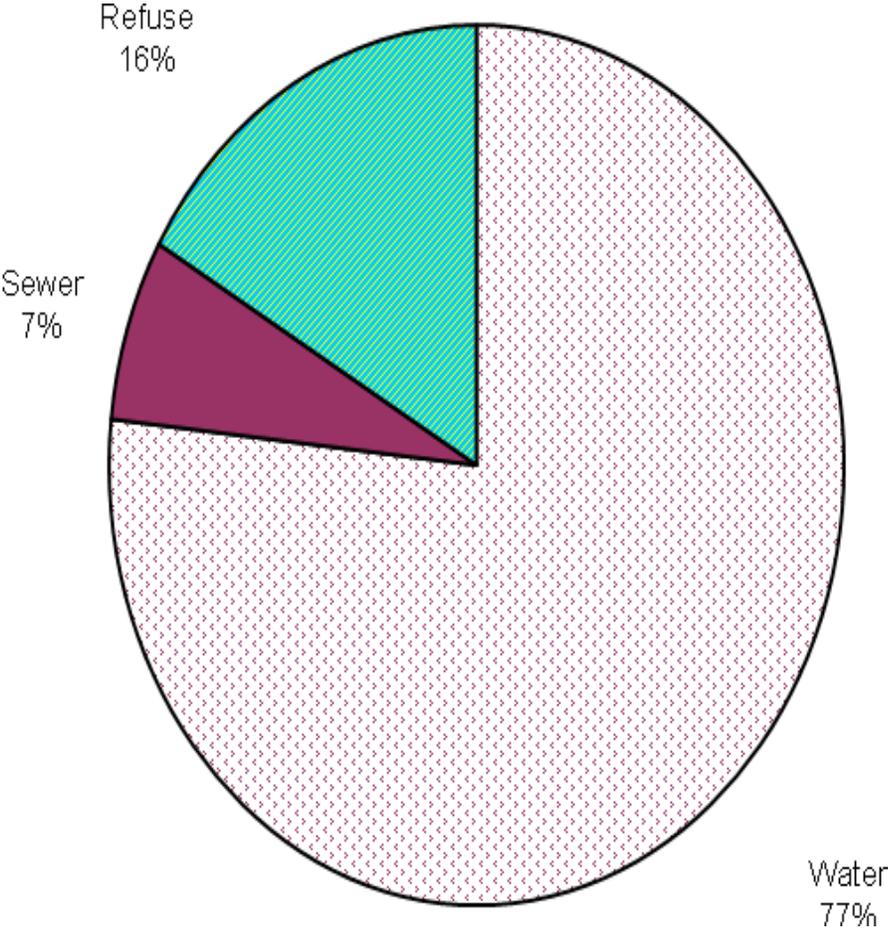
The City's largest expense is the Police Department, whose operations totaled \$20 million in 2014. Public Works followed with \$16 million of expenses which are due to several large capital improvement projects. Community Development expenses of \$11.6 million which includes the HUD.

Business-Type Activities. During the year ended June 30, 2014, the financial condition of the City's business-type activities improved as indicated by the increase in business-type net assets in the amount of \$5,326,232.

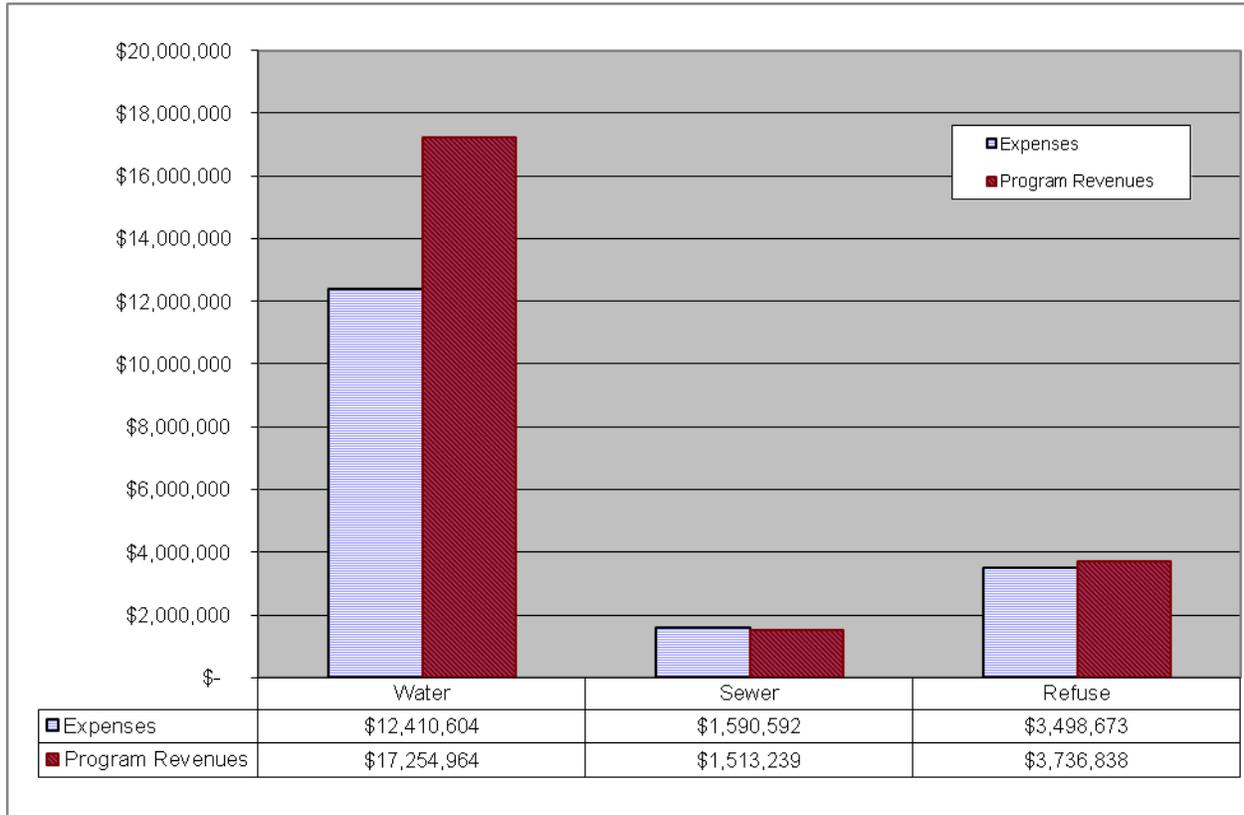
These business-type activities consisted of the water, sewer and refuse utilities. The cost of providing all business-type activities this year was \$17,499,869. The revenue paid by users of these utilities was \$22,441,203. When capital improvements are made, the assets are capitalized, and no expense is incurred even though current assets have been converted to long-term capital assets.

The water activity generates an excess of revenue over expenses in an effort to maintain a reasonable reserve for capital improvements and debt service requirements. The net activity is a result of rate increases over the past few years.

Revenues by Source – Business-Type Activities



Expenses and Program Revenues – Business-Type Activities



Financial Analysis of the City's Funds

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

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

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$71,264,291, an increase of \$3,924,822 in comparison with the prior year. Of that amount, \$30,651,732 constitutes *spendable fund balance*, the remainder of fund balance totaling \$40,612,559 is *non spendable* because it has already been committed. Of the non spendable amount, \$37,719,326 represents advances from the General Fund to the Water Utility and the Successor Agency to Redevelopment Agency. The remainder is reserved for land held for resale (\$2,395,000), an advance from the CDBG Fund to the Redevelopment Agency (\$1,600,000), and a variety of other restricted purposes. The Redevelopment Agency has been dissolved as of February 1, 2012 and is no longer reflected as a component unit in the City's financial statements.

The General Fund is the chief operating fund of the City of South Gate. As of the end of the fiscal year, the total combined fund balance was \$50,443,407, an increase of \$2,361,694 in comparison with the prior year. The unassigned, spendable fund balance totaled \$12,691,460.

This increase of \$2,356,487 was a result of revenues and other financing sources exceeding operating expenditures and other financing uses.

The Capital Improvements Capital Projects Fund accounts for most of the capital improvement activity in the City such as buildings and street infrastructure. Expenditures are charged directly to this fund and reimbursed with transfers from other funds, primarily the Grants Fund as the funding sources are received. The fund balance of \$832,030 is designated for specific future projects and for the condemnation deposits with the State of California.

The other non-major governmental funds include several special revenue funds used exclusively to account for intergovernmental and assessment proceeds which are restricted as to use by law. This group of funds includes the Gas Tax Fund, Street Maintenance Fund, Street Lighting and Landscaping Fund, transit funds and various grant funds.

Proprietary Funds: The City's proprietary funds consist of the Water, Sewer and Refuse Funds, which are the business-type activities that account for the operation of those utilities. Also included are the internal service funds which provide for supporting governmental activities including vehicle and computer maintenance as well as insurance activities.

In the business-type activities, the Water and Sewer Funds are considered major funds. The Refuse Fund is considered non-major. At year end the combined net position of these funds totaled \$11,071,212, an increase of \$5,326,232 from the prior year. This is because the Water Fund has more revenues than expenses. The construction of capital facilities does not result in an expense because the assets are capitalized.

The internal service funds are considered non-major. Net position at fiscal year end totaled \$892,570, an increase of \$385,946 from the prior fiscal year due to a decrease in legal settlements.

General Fund Budgetary Highlights

For many years the City's General Fund revenues have not kept pace with increases in expenditures. In June 2008, the voters approved a one cent local sales tax which was implemented in October, 2008. The additional revenue generated from this action was expected to eliminate future budget deficits. Due to the economic recession and slow recovery this measure only reduced the structural deficit. To close this ongoing structural gap, the City implemented a ten percent (10%) compensation reduction for all employees in fiscal year 2009-10, staff reductions and an early retirement incentive program for fiscal year 2010-11. Contract negotiations have concluded for Public Safety labor groups, resulting in an increase of benefits including vacation and compensation buyouts. Negotiations are continuing for all other labor groups.

Capital Asset and Debt Administration

Capital Assets: The capital assets of the City are those that are used in the performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads.

As of June 30, 2014, the City's net capital assets in governmental activities totaled \$227,285,824 and net capital assets in business-type activities totaled \$44,824,133. Governmental capital assets increased by \$2,251,812 and business-type capital assets increased by \$11,142.

**City of South Gate Capital Assets
(Net of depreciation)**

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014	Total 2013
Structures & improvements	\$ 16,157,655	\$ 3,100,218	\$ 19,257,873	\$ 19,359,775
Machinery and equipment	1,727,865	2,984,281	4,712,146	3,996,778
Infrastructure	183,910,709	-	183,910,709	189,851,798
Utility distribution system	-	33,791,455	33,791,455	34,516,567
Land	3,738,993	1,290,602	5,029,595	5,029,595
Construction in progress	21,750,602	1,724,433	23,475,035	15,159,346
Water rights	-	1,933,144	1,933,144	1,933,144
Total	\$ 227,285,824	\$ 44,824,133	\$ 272,109,957	\$ 269,847,003

Long Term Debt. At the end of the fiscal year the City of South Gate had total long-term debt outstanding of \$96,525,923. This amount represents a decrease over the prior year of \$1,347,480 due to the retirement of \$2,381,933 debt, \$184,452 increase in claims and judgments and adjustments to Other Post Employment Benefits and Compensated absences.

City of South Gate Outstanding Debt

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014	Total 2013
Revenue bonds	\$ -	\$ 43,838,592	\$ 43,838,592	\$ 43,534,844
Certificates of participation	14,395,000	-	14,395,000	15,315,000
Pension obligation bonds	19,425,000	-	19,425,000	20,345,000
Limited obligation bonds	30,000	-	30,000	60,000
Capital lease obligations	581,683	-	581,683	927,364
Notes/Loans payable	2,720,000	-	2,720,000	3,190,000
Claims and judgments	7,383,329	-	7,383,329	7,198,877
Other post employment benefits	3,827,242	-	3,827,242	3,291,723
Compensated absences	4,027,900	297,177	4,325,077	4,010,595
Total	\$ 52,390,154	\$ 44,135,769	\$ 96,525,923	\$ 97,873,403

Economic Factors and Next Year's Budget

During the fiscal year the City's spendable, unassigned fund balance in the General Fund increased to \$12,691,460. The 2013-14 budget was balanced by continuing the 10 % pay reduction to all City employees and continuing to fill only essential positions and controlling Maintenance and Operations cost. Contract negotiations concluded with Public Safety are continuing with all other labor groups.

When preparing the City's budget for fiscal year 2014-15, the following assumptions were made:

- The economy has stabilized at this economic level, with moderate growth through 2014-15.
- Services will be reduced in certain areas to minimize impacts to the community.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Misty Cheng Interim Finance Director at (323) 563-9524 or the Finance Department, 8650 California Avenue, South Gate, California 90280.

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CITY OF SOUTH GATE

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 36,467,271	\$ 13,409,923	\$ 49,877,194
Receivables:			
Accounts	884,736	4,319,131	5,203,867
Notes and loans	7,731,906	-	7,731,906
Accrued interest	16,792	7,760	24,552
Settlement	236,712	-	236,712
Internal balances	18,336,246	(18,336,246)	-
Advances to Successor Agency	19,383,080	-	19,383,080
Prepaid costs	73,422	-	73,422
Prepaid bond insurance	-	332,448	332,448
Deposits	177,000	-	177,000
Due from other governments	7,677,284	25,066	7,702,350
Inventories	158,538	-	158,538
Land held for resale	2,395,000	-	2,395,000
Restricted assets:			
Cash with fiscal agent	342,578	14,491,948	14,834,526
Capital assets not being depreciated	25,489,595	4,948,179	30,437,774
Capital assets, net of depreciation	201,796,229	39,875,954	241,672,183
Total Assets	321,166,389	59,074,163	380,240,552
Deferred Outflows of Resources:			
Deferred charge on refunding	330,835	251,259	582,094
Total Deferred Outflows of Resources	330,835	251,259	582,094
Liabilities:			
Accounts payable	2,694,750	1,380,133	4,074,883
Accrued liabilities	1,117,309	95,785	1,213,094
Accrued interest	335,552	384,663	720,215
Unearned revenue	1,095,404	93,409	1,188,813
Deposits payable	691,553	2,111,544	2,803,097
Due to other governments	4,037	-	4,037
Retentions payable	676,638	52,907	729,545
Noncurrent liabilities:			
Due within one year	5,603,751	1,801,742	7,405,493
Due in more than one year	46,786,403	42,334,027	89,120,430
Total Liabilities	59,005,397	48,254,210	107,259,607
Net Position:			
Net investment in capital assets	227,259,039	44,824,133	272,083,172
Restricted for:			
Community development projects	8,474,566	-	8,474,566
Public safety	3,856,330	-	3,856,330
Public works	7,965,741	-	7,965,741
Capital projects	832,030	8,425,070	9,257,100
Debt service	228,750	6,066,878	6,295,628
Unrestricted	13,875,371	(48,244,869)	(34,369,498)
Total Net Position	\$ 262,491,827	\$ 11,071,212	\$ 273,563,039

CITY OF SOUTH GATE

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 4,648,447	\$ 3,101,901	\$ 28,359	\$ -
Public safety	20,250,952	3,445,309	402,412	235,214
Community development	11,651,356	4,171,372	15,412,029	31,822
Parks and recreation	5,454,058	894,090	501,020	-
Public works	15,987,601	1,101,318	19,263	4,428,521
Interest on long-term debt	2,147,521	-	-	-
Total Governmental Activities	60,139,935	12,713,990	16,363,083	4,695,557
Business-Type Activities:				
Water	12,410,604	17,254,964	-	-
Sewer	1,590,592	1,513,239	-	-
Refuse	3,498,673	3,673,000	63,838	-
Total Business-Type Activities	17,499,869	22,441,203	63,838	-
Total Primary Government	\$ 77,639,804	\$ 35,155,193	\$ 16,426,921	\$ 4,695,557

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Use of money and property

Other

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,518,187)	\$ -	\$ (1,518,187)
(16,168,017)	-	(16,168,017)
7,963,867	-	7,963,867
(4,058,948)	-	(4,058,948)
(10,438,499)	-	(10,438,499)
(2,147,521)	-	(2,147,521)
(26,367,305)	-	(26,367,305)
-	4,844,360	4,844,360
-	(77,353)	(77,353)
-	238,165	238,165
-	5,005,172	5,005,172
(26,367,305)	5,005,172	(21,362,133)
12,834,122	-	12,834,122
278,074	-	278,074
14,185,579	-	14,185,579
2,227,597	-	2,227,597
1,336,055	-	1,336,055
525,719	-	525,719
2,487,048	117,855	2,604,903
832,278	298,100	1,130,378
94,895	(94,895)	-
34,801,367	321,060	35,122,427
8,434,062	5,326,232	13,760,294
254,057,765	5,744,980	259,802,745
\$ 262,491,827	\$ 11,071,212	\$ 273,563,039

CITY OF SOUTH GATE

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Housing Authority</u>	<u>Grants</u>	<u>Home Program</u>
Assets:				
Cash and investments	\$ 9,989,400	\$ 1,210,959	\$ -	\$ -
Receivables:				
Accounts	751,535	7,078	-	33
Notes and loans	17,433	14,415	-	4,006,102
Accrued interest	4,124	509	-	-
Settlement	236,712	-	-	-
Prepaid costs	43,398	812	-	-
Deposits	-	-	-	-
Due from other governments	3,065,070	-	2,418,967	503,411
Due from other funds	3,110,518	-	-	-
Advances to other funds	18,336,246	-	-	-
Advances to Successor Agency	17,783,080	-	-	-
Inventories	158,538	-	-	-
Land held for resale	-	2,135,000	-	-
Restricted assets:				
Cash and investments with fiscal agents	279,630	-	-	-
Total Assets	<u>\$ 53,775,684</u>	<u>\$ 3,368,773</u>	<u>\$ 2,418,967</u>	<u>\$ 4,509,546</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 790,130	\$ 5,188	\$ 28,722	\$ 36,760
Accrued liabilities	918,242	14,157	572	3,160
Retentions payable	-	-	-	-
Unearned revenues	235,763	-	652,917	-
Deposits payable	461,033	14,824	-	-
Due to other governments	-	4,037	-	-
Due to other funds	-	60,100	1,736,756	463,524
Total Liabilities	<u>2,405,168</u>	<u>98,306</u>	<u>2,418,967</u>	<u>503,444</u>
Deferred Inflows of Resources:				
Unavailable revenues	927,109	-	-	4,006,102
Total Deferred Inflows of Resources	<u>927,109</u>	<u>-</u>	<u>-</u>	<u>4,006,102</u>
Fund Balances:				
Nonspendable:				
Inventory	158,538	-	-	-
Prepaid costs	43,398	812	-	-
Deposits	-	-	-	-
Notes and loans	17,433	14,415	-	-
Land held for resale	-	2,135,000	-	-
Advances to other funds	18,336,246	-	-	-
Advances to Successor Agency	17,783,080	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	56,800	-	-	-
Capital projects	-	-	-	-
Debt service	222,830	-	-	-
Low and moderate housing activities	-	1,120,240	-	-
Committed to:				
Emergency reserve	1,000,000	-	-	-
Assigned to:				
Parks and recreation	133,622	-	-	-
Unassigned	<u>12,691,460</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>50,443,407</u>	<u>3,270,467</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 53,775,684</u>	<u>\$ 3,368,773</u>	<u>\$ 2,418,967</u>	<u>\$ 4,509,546</u>

CITY OF SOUTH GATE

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Fund	Capital Projects Fund		
	Housing Successor	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 27,182	\$ 2,234,492	\$ 15,152,705	\$ 28,614,738
Receivables:				
Accounts	818	-	125,272	884,736
Notes and loans	629,329	-	3,064,627	7,731,906
Accrued interest	164	-	8,389	13,186
Settlement	-	-	-	236,712
Prepaid costs	-	-	23,258	67,468
Deposits	-	177,000	-	177,000
Due from other governments	-	-	1,689,836	7,677,284
Due from other funds	-	-	-	3,110,518
Advances to other funds	-	-	-	18,336,246
Advances to Successor Agency	-	-	1,600,000	19,383,080
Inventories	-	-	-	158,538
Land held for resale	260,000	-	-	2,395,000
Restricted assets:				
Cash and investments with fiscal agents	-	62,948	-	342,578
Total Assets	\$ 917,493	\$ 2,474,440	\$ 21,664,087	\$ 89,128,990
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 828,747	\$ 890,751	\$ 2,580,298
Accrued liabilities	-	-	153,138	1,089,269
Retentions payable	-	585,167	91,471	676,638
Unearned revenues	-	-	206,724	1,095,404
Deposits payable	2,200	213,496	-	691,553
Due to other governments	-	-	-	4,037
Due to other funds	-	-	888,332	3,148,712
Total Liabilities	2,200	1,627,410	2,230,416	9,285,911
Deferred Inflows of Resources:				
Unavailable revenues	603,450	15,000	3,027,127	8,578,788
Total Deferred Inflows of Resources	603,450	15,000	3,027,127	8,578,788
Fund Balances:				
Nonspendable:				
Inventory	-	-	-	158,538
Prepaid costs	-	-	23,258	67,468
Deposits	-	177,000	-	177,000
Notes and loans	25,879	-	37,500	95,227
Land held for resale	260,000	-	-	2,395,000
Advances to other funds	-	-	-	18,336,246
Advances to Successor Agency	-	-	1,600,000	19,383,080
Restricted for:				
Community development projects	-	-	3,269,935	3,269,935
Public safety	-	-	3,856,330	3,856,330
Public works	-	-	7,908,941	7,965,741
Capital projects	-	655,030	-	655,030
Debt service	-	-	5,920	228,750
Low and moderate housing activities	25,964	-	-	1,146,204
Committed to:				
Emergency reserve	-	-	-	1,000,000
Assigned to:				
Parks and recreation	-	-	-	133,622
Unassigned	-	-	(295,340)	12,396,120
Total Fund Balances	311,843	832,030	16,406,544	71,264,291
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 917,493	\$ 2,474,440	\$ 21,664,087	\$ 89,128,990

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CITY OF SOUTH GATE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances of governmental funds	\$ 71,264,291
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	226,767,720
Long-term debt and compensated absences that have not been include in the governmental fund activity:	
Bonds payable	(19,455,000)
Certificates of participation	(14,395,000)
Deferred charges on refunding	330,835
Notes and loans payable	(2,720,000)
Capital lease obligations	(581,683)
Compensated Absences	(4,027,900)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(3,827,242)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(335,552)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	8,578,788
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	<u>892,570</u>
Net Position of governmental activities	<u><u>\$ 262,491,827</u></u>

CITY OF SOUTH GATE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	General	Housing Authority	Grants	Home Program
Revenues:				
Taxes	\$ 29,262,345	\$ -	\$ -	\$ -
Licenses and permits	1,468,394	-	-	-
Intergovernmental	410,490	4,458,071	6,140,744	1,666,044
Charges for services	4,841,689	-	-	-
Use of money and property	2,286,252	3,973	-	-
Fines and forfeitures	953,570	-	-	-
Miscellaneous	796,186	-	-	-
Total Revenues	40,018,926	4,462,044	6,140,744	1,666,044
Expenditures:				
Current:				
General government	4,880,974	-	-	-
Public safety	18,144,490	-	-	-
Community development	2,320,000	4,697,458	175,765	1,728,356
Parks and recreation	4,889,658	-	-	-
Public works	3,302,308	-	-	-
Capital outlay	119,695	-	-	-
Debt service:				
Principal retirement	2,084,180	-	-	-
Interest and fiscal charges	1,988,803	-	-	-
Total Expenditures	37,730,108	4,697,458	175,765	1,728,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,288,818	(235,414)	5,964,979	(62,312)
Other Financing Sources (Uses):				
Transfers in	182,420	-	-	62,312
Transfers out	(109,544)	-	(5,964,979)	-
Total Other Financing Sources (Uses)	72,876	-	(5,964,979)	62,312
Net Change in Fund Balances	2,361,694	(235,414)	-	-
Fund Balances, Beginning of Year	48,081,713	3,505,881	-	-
Fund Balances, End of Year	\$ 50,443,407	\$ 3,270,467	\$ -	\$ -

CITY OF SOUTH GATE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Housing Successor	Capital Improvement Fund		
Revenues:				
Taxes	\$ -	\$ -	\$ 2,016,336	\$ 31,278,681
Licenses and permits	-	-	-	1,468,394
Intergovernmental	-	120,829	11,038,962	23,835,140
Charges for services	-	-	866,247	5,707,936
Use of money and property	12,599	-	170,975	2,473,799
Fines and forfeitures	-	-	1,961,439	2,915,009
Miscellaneous	-	-	44,525	840,711
Total Revenues	12,599	120,829	16,098,484	68,519,670
Expenditures:				
Current:				
General government	-	-	7,737	4,888,711
Public safety	-	-	1,199,551	19,344,041
Community development	-	-	2,685,942	11,607,521
Parks and recreation	-	-	-	4,889,658
Public works	-	-	5,299,456	8,601,764
Capital outlay	-	7,735,718	2,675,804	10,531,217
Debt service:				
Principal retirement	-	-	601,501	2,685,681
Interest and fiscal charges	-	-	152,347	2,141,150
Total Expenditures	-	7,735,718	12,622,338	64,689,743
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,599	(7,614,889)	3,476,146	3,829,927
Other Financing Sources (Uses):				
Transfers in	-	7,519,920	2,301,972	10,066,624
Transfers out	-	-	(3,897,206)	(9,971,729)
Total Other Financing Sources (Uses)	-	7,519,920	(1,595,234)	94,895
Net Change in Fund Balances	12,599	(94,969)	1,880,912	3,924,822
Fund Balances, Beginning of Year	299,244	926,999	14,525,632	67,339,469
Fund Balances, End of Year	\$ 311,843	\$ 832,030	\$ 16,406,544	\$ 71,264,291

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CITY OF SOUTH GATE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 3,924,822

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 10,353,885	
Depreciation	<u>(8,035,278)</u>	2,318,607

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of long-term debt principal:		
Bonds	950,000	
Certificates of participation	920,000	
Capital leases	345,681	
Notes	470,000	
Deferred charges on refunding amortization	<u>(33,084)</u>	2,652,597

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 26,713

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (285,287)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (535,519)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (53,817)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 385,946

Change in net position of governmental activities \$ 8,434,062

CITY OF SOUTH GATE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
			Other Enterprise Funds
	Utility Authority Water Fund	Utility Authority Sewer Fund	Refuse Sewer Fund
Assets:			
Current:			
Cash and investments	\$ 11,899,902	\$ 1,448,129	\$ 61,892
Receivables:			
Accounts	3,350,071	322,221	646,839
Accrued interest	6,883	877	-
Prepaid costs	-	-	-
Prepaid bond insurance	332,448	-	-
Due from other governments	-	-	25,066
Due from other funds	-	-	-
Restricted:			
Cash with fiscal agent	14,491,948	-	-
Total Current Assets	30,081,252	1,771,227	733,797
Noncurrent:			
Capital assets - net of accumulated depreciation	25,246,234	19,577,899	-
Total Noncurrent Assets	25,246,234	19,577,899	-
Total Assets	55,327,486	21,349,126	733,797
Deferred Outflows of Resources:			
Deferred charge on refunding	251,259	-	-
Total Deferred Outflows of Resources	251,259	-	-
Liabilities:			
Current:			
Accounts payable	1,010,852	56,710	312,571
Accrued liabilities	77,322	18,463	-
Accrued interest	384,663	-	-
Unearned revenues	-	-	93,409
Deposits payable	2,111,544	-	-
Retentions payable	52,907	-	-
Accrued compensated absences	157,410	49,332	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,595,000	-	-
Total Current Liabilities	5,389,698	124,505	405,980
Noncurrent:			
Advances from other funds	18,336,246	-	-
Accrued compensated absences	47,887	42,548	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	42,243,592	-	-
Total Noncurrent Liabilities	60,627,725	42,548	-
Total Liabilities	66,017,423	167,053	405,980
Net Position:			
Net investment in capital assets	25,246,234	19,577,899	-
Restricted for capital projects	8,425,070	-	-
Restricted for debt service	6,066,878	-	-
Unrestricted	(50,176,860)	1,604,174	327,817
Total Net Position	\$ (10,438,678)	\$ 21,182,073	\$ 327,817

CITY OF SOUTH GATE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Assets:		
Current:		
Cash and investments	\$ 13,409,923	\$ 7,852,533
Receivables:		
Accounts	4,319,131	-
Accrued interest	7,760	3,606
Prepaid costs	-	5,954
Prepaid bond insurance	332,448	-
Due from other governments	25,066	-
Due from other funds	-	38,194
Restricted:		
Cash with fiscal agent	14,491,948	-
Total Current Assets	32,586,276	7,900,287
Noncurrent:		
Capital assets - net of accumulated depreciation	44,824,133	518,104
Total Noncurrent Assets	44,824,133	518,104
Total Assets	77,410,409	8,418,391
Deferred Outflows of Resources:		
Deferred charge on refunding	251,259	-
Total Deferred Outflows of Resources	251,259	-
Liabilities:		
Current:		
Accounts payable	1,380,133	114,452
Accrued liabilities	95,785	28,040
Accrued interest	384,663	-
Unearned revenues	93,409	-
Deposits payable	2,111,544	-
Retentions payable	52,907	-
Accrued compensated absences	206,742	-
Accrued claims and judgments	-	890,000
Bonds, notes, and capital leases	1,595,000	-
Total Current Liabilities	5,920,183	1,032,492
Noncurrent:		
Advances from other funds	18,336,246	-
Accrued compensated absences	90,435	-
Accrued claims and judgments	-	6,493,329
Bonds, notes, and capital leases	42,243,592	-
Total Noncurrent Liabilities	60,670,273	6,493,329
Total Liabilities	66,590,456	7,525,821
Net Position:		
Net investment in capital assets	44,824,133	518,104
Restricted for capital projects	8,425,070	-
Restricted for debt service	6,066,878	-
Unrestricted	(48,244,869)	374,466
Total Net Position	\$ 11,071,212	\$ 892,570

CITY OF SOUTH GATE

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
			Other Enterprise Funds
	Utility Authority Water Fund	Utility Authority Sewer Fund	Refuse Sewer Fund
Operating Revenues:			
Sales and service charges	\$ 17,254,964	\$ 1,513,239	\$ 3,673,000
Interdepartmental charges	-	-	-
Miscellaneous	298,100	-	-
Total Operating Revenues	17,553,064	1,513,239	3,673,000
Operating Expenses:			
Personnel services	2,142,820	513,961	-
Utilities	3,045,995	954	3,434,835
Contractual services	436,062	181,990	-
Administrative services	2,835,178	259,209	-
Repair and maintenance	170,033	34,253	-
Supplies	337,409	18,404	63,838
Insurance	-	-	-
Claims expense	-	-	-
Depreciation expense	569,219	581,821	-
Total Operating Expenses	9,536,716	1,590,592	3,498,673
Operating Income (Loss)	8,016,348	(77,353)	174,327
Nonoperating Revenues (Expenses):			
Intergovernmental	-	-	63,838
Interest revenue	114,634	3,221	-
Interest expense	(2,873,888)	-	-
Total Nonoperating Revenues (Expenses)	(2,759,254)	3,221	63,838
Income (Loss) Before Transfers	5,257,094	(74,132)	238,165
Transfers in	203,595	-	-
Transfers out	(94,895)	(203,595)	-
Changes in Net Position	5,365,794	(277,727)	238,165
Net Position:			
Beginning of year	(15,804,472)	21,459,800	89,652
End of Fiscal Year	\$ (10,438,678)	\$ 21,182,073	\$ 327,817

CITY OF SOUTH GATE

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenues:		
Sales and service charges	\$ 22,441,203	\$ -
Interdepartmental charges	-	5,630,502
Miscellaneous	298,100	188,241
Total Operating Revenues	<u>22,739,303</u>	<u>5,818,743</u>
Operating Expenses:		
Personnel services	2,656,781	793,874
Utilities	6,481,784	-
Contractual services	618,052	258,561
Administrative services	3,094,387	230,385
Repair and maintenance	204,286	51,450
Supplies	419,651	746,913
Insurance	-	1,511,372
Claims expense	-	1,747,525
Depreciation expense	1,151,040	105,966
Total Operating Expenses	<u>14,625,981</u>	<u>5,446,046</u>
Operating Income (Loss)	<u>8,113,322</u>	<u>372,697</u>
Nonoperating Revenues (Expenses):		
Intergovernmental	63,838	-
Interest revenue	117,855	13,249
Interest expense	(2,873,888)	-
Total Nonoperating Revenues (Expenses)	<u>(2,692,195)</u>	<u>13,249</u>
Income (Loss) Before Transfers	5,421,127	385,946
Transfers in	203,595	-
Transfers out	(298,490)	-
Changes in Net Position	5,326,232	385,946
Net Position:		
Beginning of year	5,744,980	506,624
End of Fiscal Year	<u>\$ 11,071,212</u>	<u>\$ 892,570</u>

CITY OF SOUTH GATE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Utility Authority	Utility Authority	Other Enterprise
	Water Fund	Sewer Fund	Refuse Sewer Fund
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 17,827,609	\$ 1,510,652	\$ 3,653,830
Cash received from/interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(4,663,126)	(274,125)	(3,262,584)
Cash paid to employees for services	(4,943,644)	(765,327)	-
Net Cash Provided (Used) by Operating Activities	8,220,839	471,200	391,246
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	203,595	-	-
Cash transfers out	(94,895)	(203,595)	-
Repayment made to other funds	(488,898)	-	(394,560)
Grants subsidy	-	-	64,238
Net Cash Provided (Used) by Non-Capital Financing Activities	(380,198)	(203,595)	(330,322)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(987,551)	(174,631)	-
Principal paid on capital debt	(1,445,000)	-	-
Interest paid on capital debt	(2,486,807)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,919,358)	(174,631)	-
Cash Flows from Investing Activities:			
Interest received	114,740	3,418	-
Net Cash Provided (Used) by Investing Activities	114,740	3,418	-
Net Increase (Decrease) in Cash and Cash Equivalents	3,036,023	96,392	60,924
Cash and Cash Equivalents at Beginning of Year	23,355,827	1,351,737	968
Cash and Cash Equivalents at End of Year	\$ 26,391,850	\$ 1,448,129	\$ 61,892
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 8,016,348	\$ (77,353)	\$ 174,327
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	569,219	581,821	-
(Increase) decrease in accounts receivable	(310,146)	(2,587)	(7,386)
(Increase) decrease in prepaid costs	23,480	-	-
Increase (decrease) in accounts payable	(437,157)	1,957	236,089
Increase (decrease) in accrued liabilities	7,419	5,583	-
Increase (decrease) in unearned revenue	-	-	(11,784)
Increase (decrease) in deposits payable	584,691	-	-
Increase (decrease) in retentions payable	(259,950)	(40,481)	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	26,935	2,260	-
Total Adjustments	204,491	548,553	216,919
Net Cash Provided (Used) by Operating Activities	\$ 8,220,839	\$ 471,200	\$ 391,246
Non-Cash Investing, Capital, and Financing Activities:			
Increase in accreted interest payable	\$ 401,664	\$ -	\$ -
Bond discount/premium amortization	(58,569)	-	-
Prepaid bond insurance amortization	14,454	-	-
Deferred charges on refunding amortization	31,407	-	-

CITY OF SOUTH GATE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Total	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 22,992,091	\$ -
Cash received from/interfund service provided	-	5,818,743
Cash paid to suppliers for goods and services	(8,199,835)	(4,117,989)
Cash paid to employees for services	(5,708,971)	(1,019,994)
Net Cash Provided (Used) by Operating Activities	9,083,285	680,760
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	203,595	-
Cash transfers out	(298,490)	-
Repayment made to other funds	(883,458)	7,828
Grants subsidy	64,238	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(914,115)	7,828
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,162,182)	(39,171)
Principal paid on capital debt	(1,445,000)	-
Interest paid on capital debt	(2,486,807)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,093,989)	(39,171)
Cash Flows from Investing Activities:		
Interest received	118,158	12,602
Net Cash Provided (Used) by Investing Activities	118,158	12,602
Net Increase (Decrease) in Cash and Cash Equivalents	3,193,339	662,019
Cash and Cash Equivalents at Beginning of Year	24,708,532	7,190,514
Cash and Cash Equivalents at End of Year	\$ 27,901,871	\$ 7,852,533
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 8,113,322	\$ 372,697
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	1,151,040	105,966
(Increase) decrease in accounts receivable	(320,119)	-
(Increase) decrease in prepaid costs	23,480	3,527
Increase (decrease) in accounts payable	(199,111)	9,853
Increase (decrease) in accrued liabilities	13,002	4,265
Increase (decrease) in unearned revenue	(11,784)	-
Increase (decrease) in deposits payable	584,691	-
Increase (decrease) in retentions payable	(300,431)	-
Increase (decrease) in claims and judgments	-	184,452
Increase (decrease) in compensated absences	29,195	-
Total Adjustments	969,963	308,063
Net Cash Provided (Used) by Operating Activities	\$ 9,083,285	\$ 680,760
Non-Cash Investing, Capital, and Financing Activities:		
Increase in accreted interest payable	\$ 401,664	\$ -
Bond discount/premium amortization	(58,569)	-
Prepaid bond insurance amortization	14,454	-
Deferred charges on refunding amortization	31,407	-

CITY OF SOUTH GATE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former Community Development Commission</u>
Assets:		
Cash and investments	\$ 452,487	\$ 5,512,771
Receivables:		
Notes and loans	-	785,432
Land held for resale	-	1,463,492
Restricted assets:		
Cash and investments with fiscal agents	-	5,563,611
Capital assets:		
Capital assets, not being depreciated	-	1,686,000
Capital assets, net of accumulated depreciation	-	237,027
Total Assets	<u>\$ 452,487</u>	<u>15,248,333</u>
Liabilities:		
Accounts payable	\$ 175,839	38,996
Accrued interest	-	863,525
Deposits payable	276,648	50,036
Due to other governments	-	172,119
Long-term liabilities:		
Due in one year	-	5,932,029
Due in more than one year	-	45,049,083
Total Liabilities	<u>\$ 452,487</u>	<u>52,105,788</u>
Net Position:		
Held in trust for other purposes		(36,857,455)
Total Net Position		<u>\$(36,857,455)</u>

CITY OF SOUTH GATE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Private- Purpose Trust Fund
	<u>Successor Agency of the Former Community Development Commission</u>
Additions:	
Taxes	\$ 5,303,688
Interest and change in fair value of investments	127,614
Total Additions	<u>5,431,302</u>
Deductions:	
Administrative expenses	249,826
Contractual services	77,163
Interest expense	2,511,201
Depreciation expense	19,089
Total Deductions	<u>2,857,279</u>
Changes in Net Position	2,574,023
Net Position	
Beginning of the year	<u>(39,431,478)</u>
End of the Year	<u>\$ (36,857,455)</u>

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Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of South Gate (the City) was incorporated January 20, 1923, under the general laws of the state of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City is a municipal corporation governed by an elected five member council.

As required by generally accepted accounting principles, these financial statements present the City of South Gate and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. A brief description of each component unit is discussed below.

Blended Component Units

The South Gate Utility Authority (Utility Authority) is a joint powers authority that was established by the City and Authority on August 28, 2001. The Utility Authority is governed by a board of five members comprised of the same individuals who comprise the City Council of the City. The Utility Authority was created for the purpose of providing financing for public capital improvements for the City. Separate financial statements are not prepared for the Utility Authority.

The Housing Authority of the City of South Gate was established on September 23, 1974, pursuant to the State of California Health and Safety Code 34200 entitled, "Housing Authorities Law." The Housing Authority is governed by a board of five members comprised of the same individuals who comprise the City Council of the City. The purpose of the Housing Authority of the City of South Gate is to provide safe and sanitary dwelling accommodations in the City to persons of low income. Separate financial statements are not prepared for the Housing Authority.

The South Gate Public Financing Authority was formed on September 11, 1989. The purpose of the South Gate Public Financing Authority is to issue debt to finance public improvements and other capital purchases for the City. The Public Financing Authority is governed by a board of five members comprised of the same individuals who comprise the City Council of the City. Separate financial statements are not available for the Financing Authority.

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government.

Note 1: Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of grants, for which the revenue recognition period is 270 days. 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.

The City's fiduciary funds consist of an agency fund and a private purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which established accounting and financial reporting standards for financial statements of state and local governments.

The City reports the following major governmental funds:

- *General Fund* – The General Fund accounts for resources traditionally associated with government which are not legally required or by sound financial management to be accounted for in another fund.
- *Housing Authority Fund* – This fund is used to account for revenues from the U.S. Department of Housing and Urban Development for housing assistance payments to eligible participants.
- *Grants Fund* – This fund is used to account for all Federal, State, and local grants not specified in other funds.
- *HOME Program Fund* – This fund accounts for revenues received from the U.S. Department of Housing and Urban Development's Affordable Housing program to assist low income households.
- *Housing Successor Fund* – This fund accounts for the housing assets of the former Community Development Commission.

Note 1: Summary of Significant Accounting Policies (Continued)

- *Capital Improvements Fund* – This fund accounts for various capital projects from resources designated by the City Council.

The City reports the following major enterprise funds:

- *Utility Authority - Water Fund* – This fund accounts for the operations of the City's water utility. All activities necessary to provide this service are accounted for in this fund including administration, operations, maintenance, capital improvements, billing, collection and depreciation.
- *Utility Authority - Sewer Fund* - This fund accounts for the provision of sewer maintenance services to the residents of the City. All activities necessary to provide this service are accounted for in this fund including, but not limited to, operations, maintenance, capital improvements and depreciation.

Additionally, the City's fund structure also includes the following fund types:

- *Special Revenue Funds* – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- *Capital Projects Funds* – These funds account for the financial resources to be used for the acquisition or construction of major capital facilities.
- *Debt Service Funds* – These funds account for the resources accumulated and payments made for principal and interest on long-term liabilities of governmental funds.
- *Internal Service Funds* - These funds have been established to finance and account for goods and services provided by one City department to other City departments or agencies. Such goods and services include: worker's compensation, employee accrued liability, information technology equipment and services, and vehicle maintenance and repair.
- *Agency Fund* - This fund accounts for assets received and held by the City while acting in the capacity of agents or custodians. Cash and deposits are maintained for activities associated with various associations and third party projects.
- *Private-purpose Trust Fund* – This fund accounts for the assets and liabilities of the former Community Development Commission and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former redevelopment agency are paid in full and assets have been liquidated.

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

1. Cash and Investments

In order to maximize investment return, the City pools its available cash for investment purposes. The City's cash management pool is used essentially as a demand deposit account by the various funds. The City has defined, for purposes of the preparation of its statements of cash flows, cash and cash equivalents as demand deposits plus all investments maintained in its cash management pool, regardless of maturity period.

Note 1: Summary of Significant Accounting Policies (Continued)

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost. 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, maturity, 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. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except investment income for the Internal Service Funds and the Capital Improvement Fund which is allocated to the General Fund.

2. Receivables and Payables

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

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

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

3. Deposits and Prepaid

The deposits balance in the Statement of Net Position includes \$177,000 that was remitted to the California State Treasurers and Condemnation fund.

The prepaid costs in the Statement of Net Position relates to payments to vendors for costs applicable to future accounting periods in the amount of \$73,422.

Note 1: Summary of Significant Accounting Policies (Continued)

4. Inventories

Inventories are stated at cost using the first-in, first-out (FIFO) method. The cost of inventory is recorded as an asset when purchased and is expensed when consumed.

5. Land Held for Resale

Land held for resale is recorded in the City's Housing Authority Fund, Housing Successor Fund, and in the Private-Purpose Trust Fund – Successor Agency of the Former Community Development Commission at the lower of acquisition cost or estimated net realizable value when such amount becomes determinable as a result of the City entering into a contract for sale of property. The total land held for resale at June 30, 2014, in the City's Housing Authority Fund, Housing Successor Fund, and in the Private-Purpose Trust Fund – Successor Agency of the Former CDC is \$2,135,000, \$260,000 and \$1,463,492, respectively.

6. Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local government's basic financial statements. As a result, the retroactive historical value of the City's infrastructure assets has been included in the government-wide financial statements. The City's infrastructure assets are recorded at historical cost or at estimated historical cost in the government-wide financial statements as required by GASB Statement No. 34. All current year additions to infrastructure assets are depreciated.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

Note 1: Summary of Significant Accounting Policies (Continued)

The following schedule summarizes capital asset useful lives:

Building and improvements	10-50 years
Equipment and furniture	3-50 years
Vehicles	5-10 years
Infrastructure	10-65 years
Wells	20 years
Pumping and purification equipment	5-50 years
Distribution and service equipment	5-50 years
Eastside reservoir	45 years
Westside reservoir	45 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental fund 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: sales taxes, settlements and deferred loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Compensated Absences

Employees can carry forward, for use in subsequent years, earned but unused vacation and sick leave benefits to a specific limit. Upon termination, the City is obligated to compensate employees for all accrued earned but unused vacation days. Upon termination, employees that have provided at least 15 years of service to the City are reimbursed for 50% to 75% of earned but unused sick leave benefits.

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Note 1: Summary of Significant Accounting Policies (Continued)

A liability is also recorded for unused sick leave balances for an estimated amount based on active employee's eligibility. The estimated amount is calculated based on accrued value of the sick leave balances at June 30, 2014, and the City of South Gate Memorandum of Understanding Sick Leave Payoff eligibility calculation. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event which is outside the control of the City and the employee.

If material, a proprietary fund liability is accrued for all leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year end. All other amounts are recorded in the statement of net position. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due.

9. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Fund Balance

In the fund financial statements, government funds report the following fund balance classification:

Non-spendable Fund Balance – That portion of a fund balance that includes amounts that cannot be spent because they are either (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – That portion of a fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (City Council), and remain binding unless removed in the same manner.

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned Fund Balance – That portion of a fund balance that includes amounts that are constrained by the government’s intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has designated the City Finance Director as the City official to determine and define the amounts of those components of fund balance that are classified as “Assigned Fund Balance”.

Unassigned Fund Balance – That portion of a fund balance that includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category of fund balance, unless a negative fund balance exists.

The City Council, as the City’s highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Fund balance flow assumptions

Sometimes the government 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. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Net Position

In the governmental-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount represents all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Net position flow assumption

Sometimes the government 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 in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

Note 2: Cash and Investments

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 36,809,849
Business-type activities	27,901,871
Fiduciary funds	<u>11,528,869</u>
Total cash and investments	<u>\$ 76,240,589</u>

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

Deposits

At June 30, 2014, the carrying amount of the City's deposits was \$10,013,622 and the bank balance was \$9,484,553. The \$529,069 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 2: Cash and Investments (Continued)

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

The table below identifies the investment types that are authorized of the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if 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.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	None	None	None
Bankers' Acceptances	Yes	180 days	40%	30%
Commercial Papers	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	No	None	None	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	10%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	None	None
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	None	None	None
Bankers Acceptances	1 year	40%	30%
Commercial Paper	1 year	25%	10%
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Investment Agreements	N/A	None	None

Note 2: Cash and Investments (Continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Board, which consists of five members, in accordance with state statute. The State's Treasurer's Office audits the fund annually. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

GASB Statement No. 31

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

Credit Risk

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

The City's investment policy limits investments in medium term notes (MTN's) and commercial paper to those rated "A" or higher by a nationally recognized statistical rating organization. As of June 30, 2014, the City's investments in external investment pools and money market mutual funds are unrated.

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 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.

As of June 30, 2014, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions to no more than 20% of the City's total investment portfolio to be invested in a single security type or 10% in any one corporate

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

or bank issuer. With respect to concentration risk, as of June 30, 2014, the City is in compliance with its investment policy.

In accordance with GASB Statement No. 40 a separate disclosure is needed if the City has invested more than 5% of its total investments in any one issuer. As of June 30, 2014, the City has no investments in any one issuer that exceeded 5% of its total investments. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

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

As of June 30, 2014, the City had the following investments and original maturities:

Investment Type	Remaining Investment Maturities		Totals
	6 Months or Less	5 or More Years	
California Local Agency Investment Fund	\$ 45,692,737	\$ -	\$ 45,692,737
Certificates of Deposits	28,822	-	28,822
Money Market Funds	107,269	-	107,269
Cash with Fiscal Agent:			
Certificates of Deposits	56,800	-	56,800
Investment Agreements	-	3,199,638	3,199,638
California Local Agency Investment Fund	10,832,969	-	10,832,969
Money market funds	6,308,730	-	6,308,730
Total	\$ 63,027,327	\$ 3,199,638	\$ 66,226,965

Note 3: Settlement Receivable

The City of South Gate has two settlement agreements totaling \$236,712, one for the September 2, 2005, filing against Strategy Workshop and the second one for the March 1, 2005, filing against ECM Group Inc. The City contends that Strategy Workshop and ECM Group Inc. submitted false claims concerning certain service performed. The balance is also unavailable as of June 30, 2014. See Note 5.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 4: Notes and Loans Receivable

Description	Balance			Balance June 30, 2014	Amount Unavailable	Nonspendable Fund Balance
	July 1, 2013	Additions	Deletions			
Rental Rehabilitation	\$ 17,433	\$ -	\$ -	\$ 17,433	\$ -	\$ 17,433
Section 8 Repayment Program	14,415	-	-	14,415	-	14,415
HUD	1,426,250	-	268,750	1,157,500	1,120,000	37,500
CDBG and 1st Time Home Buyers	6,461,244	342,726	261,412	6,542,558	6,516,679	25,879
Total	<u>\$ 7,919,342</u>	<u>\$ 342,726</u>	<u>\$ 530,162</u>	<u>\$ 7,731,906</u>	<u>\$ 7,636,679</u>	<u>\$ 95,227</u>

- a. The City of South Gate participates in a Rental Rehabilitation Program. The purpose of the Rental Rehabilitation Loan Program is to assist owners of smaller rental properties which are occupied by persons or families that have an income less than 80% of the statewide median income. At June 30, 2014, the City has one rental rehabilitation outstanding balance in the amount of \$17,433.
- b. The City of South Gate also participates in a Section 8 Repayment Program. The program was authorized by Congress in 1974 and developed by HUD to provide rental subsidies for eligible tenant families (including single persons) residing in newly constructed, rehabilitated and existing rental and cooperative apartment projects. At June 30, 2014, the outstanding balance is \$14,415.
- c. During 1998 the City received \$5,000,000 upon issuance of a promissory note. The note is guaranteed by the U.S. Department of Housing and Urban Development (HUD) under Section 108 of the Housing and Community Development Act, and is related to the 1998 Section 108 HUD Note Payable. As of June 30, 2014, the City has an outstanding loan balance from Llovio Ford, Inc. in the amount of \$1,157,500.
- d. The Community Development Commission of the City of South Gate operates various loan programs under the Federal Community Development Block Grant Program which includes the First Time Homebuyer Program that provides silent second down payment assistance grants to residents who meet certain qualification for the purpose of providing homeownership assistance to low and moderate income families. The grants are secured by a deed of trust and monthly payments are not required. At the end of the term, which ranges from 5-15 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. At June 30, 2014, the outstanding balance is \$6,542,588.

Note 5: Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

CITY OF SOUTH GATE

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Note 5: Unavailable Revenue (Continued)

At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Total</u>
Notes and loans including accrued interest, Note 5	\$ 7,636,679
Settlement receivable, Note 4	236,712
Towne Center Plaza security receivable	238,129
Unavailable revenue related to sales tax receivable	452,268
AMG & AMG Associates deposit	15,000
Total deferred revenue for governmental funds	<u>\$ 8,578,788</u>

Note 6: Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Due To/From Other Funds

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Internal Service Funds</u>	
Housing Authority	\$ 21,906	\$ 38,194	\$ 60,100
Grants	1,736,756	-	1,736,756
HOME Program	463,524	-	463,524
Nonmajor Governmental Funds	888,332	-	888,332
Total	<u>\$ 3,110,518</u>	<u>\$ 38,194</u>	<u>\$ 3,148,712</u>

Current interfund receivables and payables are the result of short-term borrowings at June 30, 2014.

Advances To/From Other Funds

On November 1, 2001, a \$21,985,000 advance was made between the General Fund and the Water Fund to fund certain improvements to the water system. On June 13, 2006, the City adopted repayment terms for the advance. The advance accrues interest at a rate of 5%. Annual payments of \$1,430,156 began on June 30, 2006, and will continue for 30 years. The amount outstanding at June 30, 2014, is \$18,336,246.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Interfund Receivables, Payables, and Transfers (Continued)

The annual requirement to repay the advance is as follows:

	\$21,985,000 Advance	
	Principal	Interest
2014 - 2015	\$ 513,344	\$ 916,812
2015 - 2016	539,011	891,145
2016 - 2017	565,961	864,195
2017 - 2018	594,259	835,896
2018 - 2019	623,972	806,184
2020 - 2024	3,620,233	3,530,546
2025 - 2029	4,620,436	2,530,343
2030 - 2034	5,896,977	1,253,802
2035 - 2039	1,362,053	68,103
Total	<u>\$ 18,336,246</u>	<u>\$ 11,697,026</u>

Interfund Transfers

Transfers In	Transfers Out					Total
	General Fund	Grants Fund	Nonmajor Governmental Funds	Utility Authority Water Fund	Utility Authority Sewer Fund	
General Fund	\$ -	\$ -	\$ 182,420	\$ -	\$ -	\$ 182,420
HOME Program	-	-	62,312	-	-	62,312
Capital Improvement Fund	109,544	5,964,979	1,350,502	94,895	-	7,519,920
Nonmajor Governmental Funds	-	-	2,301,972	-	-	2,301,972
Utility Authority Water Fund	-	-	-	-	203,595	203,595
Total	<u>\$ 109,544</u>	<u>\$ 5,964,979</u>	<u>\$ 3,897,206</u>	<u>\$ 94,895</u>	<u>\$ 203,595</u>	<u>\$10,270,219</u>

The General Fund transferred funds to the Capital Improvement Fund to pay for capital improvement projects.

The transfer to the General Fund from the nonmajor funds was to reimburse costs related to the graffiti and code enforcement programs.

The Grants Fund transferred funds to the Capital Improvement Fund to pay for capital improvement projects.

The transfer to the Capital Improvement Fund from the nonmajor funds was to pay for capital improvement projects.

The transfer within nonmajor funds from Measure R to the American Recovery and Reinvestment Act Fund in the amount of \$1,556,798 was to pay for street lighting expenditures. The transfer from the CDBG Fund in the amount of \$652,591 was to pay for street lighting expenditures. The transfer from the Gas Tax Fund in the amount of \$4,132 was used to pay for street lighting expenditures. The transfer from the Law Enforcement Fund to the Asset Seizure Fund of \$88,451 was used to record grant revenues in the appropriate fund.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6: Interfund Receivables, Payables, and Transfers (Continued)

The transfer from the Water Fund to the Capital Improvement Fund was to pay for capital improvement projects.

The Sewer Fund transferred funds to the Water Fund to pay a portion of the debt service payment on the 2001 Utility Authority Bonds.

Note 7: Capital Assets

Capital assets activity for the year ended June 30, 2014, follows

	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 3,738,993	\$ -	\$ -	\$ -	\$ 3,738,993
Construction in progress	13,315,777	9,857,945	-	(1,423,120)	21,750,602
Total Capital Assets, Not Being Depreciated	17,054,770	9,857,945	-	(1,423,120)	25,489,595
Capital Assets, being depreciated:					
Structures and improvements	27,488,675	69,798	-	508,470	28,066,943
Machinery and equipment	10,085,310	465,313	-	-	10,550,623
Infrastructure street network	321,750,316	-	-	914,650	322,664,966
Total Capital Assets, Being Depreciated	359,324,301	535,111	-	1,423,120	361,282,532
Less accumulated depreciation:					
Structures and improvements	(11,168,046)	(741,242)	-	-	(11,909,288)
Machinery and equipment	(8,278,495)	(544,263)	-	-	(8,822,758)
Infrastructure street network	(131,898,518)	(6,855,739)	-	-	(138,754,257)
Total Accumulated Depreciation	(151,345,059)	(8,141,244)	-	-	(159,486,303)
Total Capital Assets, Being Depreciated, Net	207,979,242	(7,606,133)	-	1,423,120	201,796,229
Governmental Activities Capital Assets, Net	\$ 225,034,012	\$ 2,251,812	\$ -	\$ -	\$ 227,285,824

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

Governmental Activities:	
General government	\$ 24,412
Public safety	327,070
Community development	7,404
Parks and recreation	548,310
Public works	7,128,082
Fleet management	53,982
Information system	51,984
	<u>\$ 8,141,244</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7: Capital Assets (Continued)

	Balance at July 1, 2013	Additions	Deletions	Transfers	Balance at June 30, 2014
Business-Type Activities:					
Capital Assets, not being depreciated:					
Water rights	\$ 1,933,144	\$ -	\$ -	\$ -	\$ 1,933,144
Land	1,290,602	-	-	-	1,290,602
Construction in progress	1,843,569	750,904	-	(870,040)	1,724,433
Total Capital Assets, Not Being Depreciated	5,067,315	750,904	-	(870,040)	4,948,179
Capital Assets, being depreciated:					
Structures and improvements	3,907,859	24,825	-	110,565	4,043,249
Machinery and equipment	5,289,238	386,453	-	615,534	6,291,225
Infrastructure street network	56,103,299	-	-	143,941	56,247,240
Total Capital Assets, Being Depreciated	65,300,396	411,278	-	870,040	66,581,714
Less accumulated depreciation:					
Structures and improvements	(868,713)	(74,318)	-	-	(943,031)
Machinery and equipment	(3,099,275)	(207,669)	-	-	(3,306,944)
Infrastructure street network	(21,586,732)	(869,053)	-	-	(22,455,785)
Total Accumulated Depreciation	(25,554,720)	(1,151,040)	-	-	(26,705,760)
Total Capital Assets, Being Depreciated, Net	39,745,676	(739,762)	-	870,040	39,875,954
Business-Type Activities Capital Assets, Net	\$ 44,812,991	\$ 11,142	\$ -	\$ -	\$ 44,824,133

Depreciation expense was charged to functions/programs of the primary government in the Business-Type Activities as follows:

Business-Type Activities:	
Utility Authority - Water Fund	\$ 569,219
Utility Authority - Sewer Fund	581,821
	<u>\$ 1,151,040</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8: Long-Term Debt

a. Long-Term Debt - Governmental Activities

The following is a schedule of changes in governmental fund long-term debt for the fiscal year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Bonds Payable:					
2005 Pension obligation bonds	\$ 20,345,000	-	\$ (920,000)	\$ 19,425,000	\$ 965,000
Limited obligation improvement bonds	60,000	-	(30,000)	30,000	30,000
Certificates of Participation:					
2002 Series A Certificate of Participation	10,150,000	-	(630,000)	9,520,000	665,000
2002 Series B Certificate of Participation	5,165,000	-	(290,000)	4,875,000	310,000
Capital lease obligations	927,364	-	(345,681)	581,683	360,989
Notes payable	3,190,000	-	(470,000)	2,720,000	500,000
Claims and judgments	7,198,877	1,054,948	(870,496)	7,383,329	890,000
Other post employment benefits obligations	3,291,723	1,077,465	(541,946)	3,827,242	N/A
Compensated absences	3,742,613	2,078,027	(1,792,740)	4,027,900	1,882,762
Total	\$ 54,070,577	\$ 4,210,440	\$ (5,890,863)	\$ 52,390,154	\$ 5,603,751

Bonds Payable

2005 Pension Obligation Bond

In March 2005, the City of South Gate issued \$24,400,000 in Pension Obligation Bonds. The proceeds were used to provide funds to cover the City's unfunded actuarial liability for safety employees through June 30, 2004. Proceeds were also used to advance refund \$6,675,000 of outstanding 2001 Taxable Certificates of Participation. The net proceeds were deposited in an escrow account with U.S. Bank National Association. The Certificates of Participation are considered defeased and have been paid in full.

The bonds mature in amounts ranging from \$300,000 to \$1,910,000 with interest ranging from 4.6% to 5.42%. Interest on the bonds is payable on December 1, 2005 and semi-annually thereafter on June 1 and December 1 of each year. The bonds were issued at face value. At June 30, 2014, the outstanding balance on the bonds is \$19,425,000.

Limited Obligation Improvement Bonds

The City of South Gate issued \$328,000 of Ardine Assessment District (ST-114) Limited Obligation Improvement Bonds on November 23, 1993, pursuant to the Improvement Bond Act of 1915. The bonds were issued for the construction of certain street and storm drainage improvements and are secured by the unpaid assessments levied against the assessment parcels. The bonds mature in amounts ranging from \$8,000 to \$30,000 beginning September 2, 1995. Interest on the bonds is payable on March 2, 1994 and semiannually thereafter on each March 2 and September 2 at rates ranging from 4.25% to 6.25%. As of June 30, 2014, the outstanding balance on the bonds is \$30,000.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Long-Term Debt (Continued)**Debt Service Requirements**

The following schedule summarizes the debt service to maturity requirements for governmental activities bonds payable outstanding as of June 30, 2014:

	2005 Pension Obligation Bonds		Limited Obligation Improvement Bonds	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 965,000	\$ 1,045,618	\$ 30,000	\$ 938
2015 - 2016	1,015,000	996,692	-	-
2016 - 2017	1,070,000	941,679	-	-
2017 - 2018	1,130,000	883,685	-	-
2018 - 2019	1,190,000	822,439	-	-
2020 - 2024	6,985,000	3,074,563	-	-
2025 - 2029	7,070,000	977,746	-	-
Total	\$ 19,425,000	\$ 8,742,422	\$ 30,000	\$ 938

Certificates of Participation**2002 Certificates of Participation, Series A**

In March 2002, the City issued \$15,185,000 in certificates of participation, 2002 Series A, to finance additional redevelopment projects and to provide for the refunding of the 1999 Subordinate Tax Allocation Revenue Bonds, as well as to satisfy reserve requirements. The bonds mature in increasing amounts from \$430,000 to \$695,000 plus interest at 3% to 5% through September 1, 2024. The City has elected to guarantee the debt service payments from monies credited to the Motor Vehicle License Fee revenue to which the City is entitled under Chapter 5 of Part 5 of Division 2 of the California Revenue and Taxation Code.

Net proceeds of approximately \$11,500,000 from the 2002 COP Series A and the 2002 COP Series B (Taxable) plus an additional \$650,000 of the 1999 Bonds sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Bonds. The 1999 Bonds are considered defeased and have been paid in full.

The refunding of the 1999 Subordinate Tax Allocation Revenue Bonds with the 2002 COP Series A and the 2002 COP Series B (Taxable) resulted in a deferred charge on refunding. The remaining unamortized deferred charges balance as of June 30, 2014, is \$330,835.

A reserve account is required to be maintained equal to the least of: (i) 10% of the net proceeds of the Certificates, (ii) the maximum annual debt service on the bonds, or (iii) 125% of the average Lease Payments to be paid in the then-current or any future Certificate Year. As of June 30, 2014, the reserve requirement was \$1,162,775. The balance held in the reserve account as of June 30, 2014, was \$1,162,956. Total lease revenue received during the year was \$1,160,775. Total principal and interest paid for the fiscal year was \$1,160,775. At June 30, 2014, the outstanding balance is \$9,520,000.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Long-Term Debt (Continued)**2002 Certificates of Participation, Series B (Taxable)**

In March 2002, the City issued \$7,280,000 in certificates of participation to finance additional redevelopment projects and to provide for the refunding of the 1999 Subordinate Tax Allocation Revenue Notes, as well as to satisfy reserve requirements. The bonds mature in increasing amounts from \$165,000 to \$175,000 plus interest at 3.75% to 4.45% through September 1, 2024. The City has elected to guarantee the debt service payments from monies credited to the Motor Vehicle License Fee revenue to which the City is entitled under Chapter 5 of Part 5 of Division 2 of the California Revenue and Taxation Code. Total lease revenue received during the year was \$651,550. Total principal and interest paid for the fiscal year was \$651,550.

A reserve account is required to be maintained equal to the least of: (i) 10% of the net proceeds of the Certificates, (ii) the maximum annual debt service on the bonds, or (iii) 125% of the average Lease Payments to be paid in the then-current or any future Certificate Year. As of June 30, 2014, the reserve requirement was \$651,650. The balance held in the reserve account as of June 30, 2014, was \$651,863 in an investment agreement. At June 30, 2014, the outstanding balance is \$4,875,000.

The annual requirements to amortize outstanding certificates of deposit as of June 30, 2014, are as follows:

	2002 Series A Certificates of Participation		2002 Series B Certificates of Participation	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 665,000	\$ 497,700	\$ 310,000	\$ 341,250
2015 - 2016	695,000	467,775	330,000	319,550
2016 - 2017	725,000	433,025	355,000	296,450
2017 - 2018	765,000	393,150	380,000	271,600
2018 - 2019	810,000	351,075	405,000	245,000
2020 - 2024	4,755,000	1,041,525	2,490,000	757,400
2025 - 2029	1,105,000	55,250	605,000	42,350
Totals	<u>\$ 9,520,000</u>	<u>\$ 3,239,500</u>	<u>\$ 4,875,000</u>	<u>\$ 2,273,600</u>

Capital Lease Obligations**Equipment Lease**

The City entered into a facility financing agreement (capital lease) with LaSalle Bank National Association to provide \$2,500,000 for the implementation of certain energy conservation measures at City facilities. The City is to make quarterly payments of \$68,028 over a twelve year period. Payments commenced on April 30, 2004, and the last payment will be made on January 30, 2016. Interest accrues at the rate of 4.59%. At June 30, 2014, the outstanding balance is \$455,071.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 8: Long-Term Debt (Continued)**Street Sweepers Lease**

On December 2, 2009, the City entered into a financing agreement (capital lease) with Tymco, Inc. to provide \$495,043 for the acquisition of two street sweepers. The City made one advance payment on December 15, 2009 of \$88,275 with annual payments to be made over a five year period beginning July 15, 2010. The last payment will be made on July 15, 2014. Interest accrues at the rate of 3.25%. At June 30, 2014, the outstanding balance is \$85,496.

Bucket Truck Lease

On May 19, 2011, the City entered into a financing agreement (capital lease) with Altec Capital Services, L.L.C., to provide \$99,950 for the acquisition of a bucket truck. Annual payments of \$22,583 will be made over a five year period beginning July 1, 2011. The last payment will be made on July 1, 2015. Interest accrues at the rate of 6.50%. At June 30, 2014, the outstanding balance is \$41,116.

The annual requirements to amortize the outstanding capital leases as of June 30, 2014, are as follows:

	Equipment Lease	Street Sweepers	Bucket Truck
2014 - 2015	\$ 272,112	\$ 86,885	\$ 22,583
2015 - 2016	204,084	-	22,583
Total Payments	476,196	86,885	45,166
Less Amount Representing Interest	(21,125)	(1,389)	(4,050)
Outstanding Principal	<u>\$ 455,071</u>	<u>\$ 85,496</u>	<u>\$ 41,116</u>

Notes Payable**1998 Section 108 HUD Note**

On January 31, 1998, the City received \$5,000,000 upon issuance of a promissory note to City National Bank. The note is guaranteed by the Department of Housing and Urban Development (HUD) under section 108 of the Housing and Community Development Act. The proceeds were used to reimburse the City's Community Development Commission for HUD eligible expenses related to the sale of land to Llovio Ford Inc. Principal payments are due annually in amounts ranging from \$35,000 to \$305,000 beginning on August 1, 1998 through 2017. This note was rewritten in 2010 to allow for a variable interest rate. Interest is payable on August 1 at a variable rate. At June 30, 2014, the outstanding balance is \$1,120,000.

2000A Section 108 HUD Note

In July 1999, the City received \$3,625,000 upon issuance of a promissory note. The note is guaranteed by the U.S. Department of Housing and Urban Development (HUD) under Section 108 of the Housing and Community Development Act. The proceeds were advanced to the City's Community Development Commission and

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8: Long-Term Debt (Continued)

were used by the Commission to fund loans. The note accrues interest of 6%. As of June 30, 2014, the outstanding balance is \$1,600,000.

The annual requirements to amortize the outstanding notes payable as of June 30, 2014, is as follows:

	1998 Section 108 HUD Note		2000 A Section 108 HUD Note	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 270,000	\$ 7,478	\$ 230,000	\$ 117,107
2015 - 2016	290,000	5,675	240,000	98,816
2016 - 2017	305,000	3,739	255,000	79,427
2017 - 2018	255,000	1,703	275,000	58,535
2018 - 2019	-	-	290,000	23,831
2020 - 2024	-	-	310,000	24,670
Total	<u>\$ 1,120,000</u>	<u>\$ 18,595</u>	<u>\$ 1,600,000</u>	<u>\$ 402,386</u>

Claims and Judgments

The City's liability regarding self-insurance is described in Note 13 of the Notes to Financial Statements. The liability will be paid in future years from the Self Insurance Fund.

Other Post Employment Benefits Obligation

The City's policies relating to other post employment benefits are described in Note 12 of the Notes to Financial Statements. The liability will be paid in future year from the General Fund.

Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2014, was \$4,027,900. Vacation, sick leave, holiday and compensatory time are recorded as expenditures in the related funds when used.

b. Long-Term Debt - Business-Type Activities

The following is a schedule of changes in proprietary fund long-term debt for the fiscal year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
2001 Subordinate Revenue Bonds	\$ 9,364,844	\$ 401,664 *	\$ 1,385,000	\$ 8,381,508	\$ 1,385,000
2012 Water Revenue Bonds	34,170,000	-	60,000	34,110,000	210,000
Compensated absences	267,982	211,213	182,018	297,177	206,742
	<u>\$ 43,802,826</u>	<u>\$ 612,877</u>	<u>\$ 1,627,018</u>	42,788,685	<u>\$ 1,801,742</u>
		Unamortized premium		1,347,084	
			Total	<u>\$ 44,135,769</u>	

*Addition represents accreted interest

Note 8: Long-Term Debt (Continued)

2001 Subordinate Revenue Bonds

On November 13, 2001, \$30,965,451 of Subordinate Revenue Bonds (2001 Series) were issued by the South Gate Utility Authority, a public financing authority established by the City of South Gate for the sole purpose of issuing debt on behalf of the City. The bond proceeds were used to finance an up-front lease payment for the Utility Authority's right to use the Water Enterprise, to finance certain capital improvements of the Sewer Enterprise, and to satisfy reserve requirements. In accordance with generally accepted accounting principles, the assets and debt of the Utility Authority have been reported as debt and assets of the primary government and the underlying intra-entity lease has been eliminated.

The bonds consist of \$25,690,000 Current Interest Bonds and \$5,275,451 Capital Appreciation Bonds. Interest on the Current Interest Bonds is payable April 1, 2002, and semi-annually thereafter on April 1 and October 1 of each year at rates ranging from 1.75% to 5% per annum. Principal installments are payable annually ranging in amounts from \$115,000 to \$285,000 through October 1, 2032. The Capital Appreciation bonds will appreciate in value based upon semi-annual accretion of the initial amount thereof on each April 1 and October 1, commencing April 1, 2002, at a rate of interest that will result in each such Capital Appreciation Bond appreciating to \$5,000 (or the applicable integral multiple thereof) on its final maturity date. Interest is accreted at rates ranging from 4.55% to 5.2%. By their nature, there are no regular interest payments associated with Capital Appreciation Bonds. The "interest" on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. Each year, the outstanding balance is increased for the interest associated with the bonds.

A reserve account is required to be maintained equal to the lease of: (i) 10% of the net proceeds of the Certificates, (ii) the maximum annual debt service on the bonds, or (iii) 125% of the average Lease Payments to be paid in the then-current or any future Certificate Year. As of June 30, 2014, the reserve requirement was \$2,738,000. The balance held in the reserve account as of June 30, 2014, was \$2,738,000.

On August 15, 2012, the South Gate Utility authority issued the 2012 Series Water Revenue Bonds to current refund the outstanding interest bonds of the 2001 Subordinate Revenue Bonds. As a result, the interest bonds have been paid off and the capital appreciation bonds of the 2012 Series Water Revenue Bonds remain outstanding with a balance of \$8,381,508 at June 30, 2014.

Revenue Rate Covenants

Debt covenants of the 2001 Subordinate Revenue Bonds require that the Utility Authority set its charges at rates that will produce net Water and Sewer revenues that are at least equal to 115% of the proportionate share of certain debt service payments (as defined in the official statement). Total net water and sewer revenue received during the year was \$1,995,037. Total principal and interest paid for the fiscal year was \$1,385,000.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Long-Term Debt (Continued)**2012 Series Water Revenue Bonds**

On August 15, 2012, the South Gate Utility authority issued \$34,170,000 of 2012 Series Water Revenue Bonds. The proceeds of the Bonds was used to: i) refund the portion of the Authority's Subordinate Revenue Bonds, 2001 Series (Water and Sewer System Projects) constituting current interest bonds, ii) finance a lease payment under the Lease Agreements, iii) finance certain capital improvements to the Water Enterprise, iv) fund the Reserve account for the Bonds, and v) pay costs of issuance of the Bonds.

The bonds consist of \$25,000,000 in Serial Bonds and \$9,710,000 in Term Bonds. Interest on the Serial Bonds is payable on April 1, 2013 and semi-annually thereafter on April 1 and October 1 of each year at rates ranging from 2.00% to 5.250% per annum. Principal installments are payable annually in increasing amounts from \$60,000 to \$2,400,000 on October 1 of each year from 2013 through 2032. The Term Bonds mature from 2033 through 2037 in annual installments of \$1,780,000 to \$2,110,000 and bear interest at 4.250%.

A reserve account is required to be maintained equal to the lease of: (i) 10% of the net proceeds of the Certificates, (ii) the maximum annual debt service on the bonds, or (iii) 125% of the average Lease Payments to be paid in the then-current or any future Certificate Year. As of June 30, 2014, the reserve requirement was \$2,936,225. The balance held in the reserve account as of June 30, 2014, was \$2,903,850 in investment contracts and an insurance policy to cover the remaining \$32,375. At June 30, 2014, the unamortized bond premium balance is \$1,347,084 and the outstanding balance on the bonds is \$34,110,000.

Revenue Rate Covenants

Debt covenants of the 2012 Series Water Revenue Bonds require that the Utility Authority set its charges at rates that will produce net water revenues that are at least equal to 115% of the proportionate share of certain debt service payments (as defined in the official statement). Total water revenue received during the year was \$7,212,853. Total principal and interest paid for the fiscal year was \$1,687,153.

The following schedule summarizes the debt service to maturity requirements for business-type activities bonds outstanding as of June 30, 2014:

	2001 Subordinate Revenue Bonds		2012 Series Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 1,385,000	\$ -	\$ 210,000	\$ 1,541,800
2015 - 2016	1,385,000	-	215,000	1,534,350
2016 - 2017	1,385,000	-	220,000	1,525,650
2017 - 2018	1,385,000	-	230,000	1,516,650
2018 - 2019	1,385,000	-	240,000	1,507,250
2020 - 2024	2,770,000	-	5,040,000	7,154,038
2025 - 2029	-	-	9,180,000	5,250,339
2030 - 2034	-	-	10,845,000	2,852,450
2035 - 2039	-	-	7,930,000	691,688
Subtotal	9,695,000	\$ -	\$ 34,110,000	\$ 23,574,215
Less: Unaccrued Discount	(1,313,492)			
Total	\$ 8,381,508			

Note 8: Long-Term Debt (Continued)

Compensated Absences

For the enterprise funds, accumulated vacation, sick leave, holiday and compensatory time amounted to \$297,177 at June 30, 2014. The liability will be paid in future years by the Utility Authority Water Fund and the Utility Authority Sewer Fund.

Note 9: Defined Contribution Plan

The City has established a defined contribution plan in accordance with Internal Revenue Code Section 401(a) to provide tax deferred payments towards retirement for Top Management employees. Under this plan, the City will provide a matching payment of up to 50% of the contributions paid by the employee into a 457 deferred compensation plan. For the current fiscal year, the City contributed \$15,895 to the plan.

Note 10: Defined Benefit Pension Plan

a. Miscellaneous Plan

Plan Description

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

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The current rate is 14.652% of the annual covered payroll for miscellaneous employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Required Contribution

For fiscal year 2013-2014, the City of South Gate's miscellaneous plan annual contribution was \$1,971,086 and was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10: Defined Benefit Pension Plan (Continued)

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

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percentage of Payroll
Average Remaining Period	24 Year as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumption	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Services and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of .25%

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

Miscellaneous Plan

Fiscal Year Ending	Required Contribution	Percentage Contributed
6/30/2012	\$ 2,413,540	100%
6/30/2013	2,118,954	100%
6/30/2014	1,971,086	100%

Schedule of Funding Progress for PERS
PERS Miscellaneous Plan
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011	\$ 97,545	\$ 107,429	\$ 9,884	90.8%	\$ 11,391	86.8%
6/30/2012	101,082	111,094	10,012	91.0%	12,422	80.6%
6/30/2013	92,664	115,712	23,048	80.1%	11,898	193.7%

* Beginning with the 6/30/2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Note 10: Defined Benefit Pension Plan (Continued)

b. Safety Plan

Plan Description

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

Funding Policy

Participants are required to contribute 9% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The current rate is 28.991% of the annual covered payroll for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Since the City of South Gate's Safety Plan had less than 100 active members as of June 30, 2003, CalPERS required it to participate in a risk pool for the pension plan. At the time of joining the risk pool, a side fund was created to account for the differences between the funded status of the pool and the funded status of the City's Safety Plan. The side fund was estimated by CalPERS to be \$(17,372,967). In response to the side fund, the City issued the 2005 Pension Obligation Bonds (POB). This issuance, as further discussed in Note 8, funded the deficit position of the side fund.

Required Contribution

For fiscal year 2013-2014, the City of South Gate's safety plan annual contribution was \$1,963,932 and was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method.

The summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percentage of Payroll
Average Remaining Period	21 Year as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumption	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Services and type of employment
Inflation	2.75%

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10: Defined Benefit Pension Plan (Continued)

Payroll Growth	3.00%
Individual salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of .25%

Three-Year Trend Information for PERS
 Safety Plan

Fiscal Year Ending	Required Contribution	Percentage Contributed	Net Pension Asset
6/30/2012	\$ 2,506,394	100%	\$ -
6/30/2013	2,294,276	100%	-
6/30/2014	1,963,932	100%	-

Note 11: Supplemental Retirement Plan

Plan Description

Effective July 1, 2002, the City of South Gate established a supplemental retirement plan with the Public Agency Retirement System (PARS). The PARS is an agent multiple-employer defined benefit pension plan. The City of South Gate's plan is separated into two tiers. The plan was organized under the authority of the City Council and may be amended by the City Council.

Tier one provides for the difference between the 3% at 55 benefits and the 2.7% at 55 benefits for years of service to the City of South Gate. Eligibility to receive benefits is as follows:

- Must be a full-time Top Management miscellaneous (non-safety) employee of the City of South Gate on or after July 1, 2002.
- Must have completed three years of full-time continuous employment with the City prior to retirement.
- Must concurrently retire from PERS at the time of application for benefits under this plan.
- Must either 1) be at least fifty-five years of age, if retirement is concurrent with separation from the City or 2) be at least sixty years of age.
- Must apply for the benefits, and meet the age requirements.

Tier two provides a monthly lifetime annuity payment to eligible employees in lieu of post employment health care benefits. Eligibility to receive benefits is as follows:

- Must have retired from the City with 20 or more years of service.
- Must remain retired.
- Must not participate in the PERS health plan offered by the City

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 11: Supplemental Retirement Plan (Continued)**Funding Policy**

Participants do not make any contributions. The City makes all contributions to the plan. For the fiscal year ending June 30, 2014, the City's required contributions were \$70,751 and actual contributions were \$70,751. The required contribution was based on the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include: investment rate of return of 4.00%; payroll growth of 3.25%; and inflation rate of 2.75%. The unfunded actuarial liability is amortized using the level percentage of payroll over a 20 year open period.

The following table provides information about the annual pension costs:

Trend Information for PARS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 40,058	100%	\$ -
6/30/2013	70,636	100%	-
6/30/2014	70,751	100%	-

Schedule of Funding Progress for PARS

Actuarial Valuation Date	Actuarial Value of Liabilities	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Actuarial Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 852,445	\$ 334,325	\$ 518,120	39.2%	\$ 1,106,827	46.81%
6/30/2011	1,287,193	524,756	762,437	40.8%	668,530	114.05%
6/30/2013	1,297,932	689,926	608,006	53.2%	720,372	84.40%

Note 12: Post Employment Benefits**Plan Description**

The City provides extended health care benefits to eligible employees as required by collective bargaining agreements. Miscellaneous employees, safety employees and top management who retire from the City with a minimum of 20 years of continuous PERS service and at least age 50, are eligible for this benefit.

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a PERS pension and are enrolled in a CalPERS retiree health plan. The City pays an administrative fee to CalPERS for retirees enrolled in a PERS health plan for five or more years. For 2014, the fee is \$150 per month. The benefits are available only to employees who retire from the City.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: Post Employment Benefits (Continued)**Funding Policy**

Retirees participating in PEMHCA are responsible for the payment of their medical insurance premiums except that the City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. The amount contributed by the City during the fiscal year was \$541,946. For the fiscal year ended June 30, 2014, the City was funding the benefit on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation.

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,264,588
Interest on OPEB obligation	41,147
Adjustment to ARC	<u>(228,270)</u>
Annual OPEB cost	1,077,465
Contributions made	<u>541,946</u>
Increase in net OPEB obligation	535,519
Net OPEB Obligation, Beginning of Year	<u>3,291,723</u>
Net OPEB, Obligation, End of Year	<u><u>\$ 3,827,242</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,236,037	\$ 438,197	35%	\$ 2,659,391
6/30/2013	1,128,748	496,416	44%	3,291,723
6/30/2014	1,077,465	541,946	50%	3,827,242

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: Post Employment Benefits (Continued)

the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits. This is the second year of the plan. The actuarial valuation is prepared biennially. The table below presents the latest information available.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Percent of Covered payroll
1/1/2008	\$ -	\$ 2,376,079	\$ 2,376,079	0%	\$ 21,979,706	10.8%
1/1/2010	-	11,992,420	11,992,420	0%	19,453,019	61.6%
1/1/2012*	-	13,502,101	13,502,101	0%	19,899,309	67.9%

* Most recent actuarial valuation available.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial valuation, dated January 1, 2012, used the Entry Age Normal Method. The actuarial assumptions included a 4.00% investment rate of return, which is based on assumed long-term investment returns on the City's assets, as appropriate, a 2.75% general price inflation, and a 3.75% annual increase in employer's contributions to CalPERS for retiree medical premium. The UAAL is being amortized as a level percentage of projected payroll over close remaining 16 years. It is assumed the City's payroll will increase 3.25% per year.

Note 13: Self Insurance

The City is self-insured for general, automobile and public liability claims. For worker's compensation, the City purchased a commercial insurance policy from Continental Casualty Company. Under this policy, Continental Casualty Company covers all workers' compensation claim expenses up to \$1,750,000 per claim. An Internal Service Fund is used to account for the collection of premiums from various City departments related to the amount of workers' compensation policy premium paid and general claims liabilities. Premiums assessed for general claim liabilities are established based on historical claims experience. The City is a member of the Independent Cities Risk Management Authority, a joint powers authority formed to provide liability insurance coverage for independent cities. Under the terms of the agreement with the Authority, the City is insured for losses above \$500,000, with a liability limit of \$20,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 13: Self Insurance (Continued)

A summary of the City's significant insurance policies follows:

Detail	Retention Deductible	Coverage
Blanket on real and personal property per stipulated amount replacement cost. All risk excludes earthquake and flood.	\$ 10,000	\$1,000,000 insurable value limitss per items up to \$1,000,000,000
Boiler and machiney coverage (exluding production machinery), expediting expenses hazardous substance, amonia contamination, water damage and business interruption.	25,000	100,000,000
Private workers' compensation insurance	1,750,000	25,000,000
Excess liability (basic administration, special events and supplemental risk)	500,000	20,000,000
Public official bond	-	100,000

Claims liability of \$7,383,329 reported in the Self-Insurance Internal Service Fund at June 30, 2014, is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The following is a summary of the changes in the claims liability over the past two years:

	2013	2014
Balance at beginning of year	\$ 6,002,559	\$ 7,198,877
Claims and changes in estimates	5,613,823	1,054,948
Claim payments	(4,417,505)	(870,496)
Balance at end of year	<u>\$ 7,198,877</u>	<u>\$ 7,383,329</u>

Note 14: Contingencies

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City. The City is also involved in several different cases with former police officers. In the opinion of City management and the City Attorney, these cases are not expected to have a material impact on the City. Additionally, City management believes that sufficient reserves are available to the City to cover any potential losses, should an unfavorable outcome materialize.

In addition, the City of South Gate has land held for resale in the amount \$2,395,000 which was acquired and recorded at acquisition cost. Due to the downturn of the economic condition of the State and potential sale of the land in the future, the City may record a potential loss due to the fair market of the asset at the time of the sale.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 15: Construction Commitments

The following material construction commitments existed at June 30, 2014:

Project Name	Contract Amount	Expenditures to date as of June 30, 2014	Remaining Commitments
Upgrade Water Facilities - Well #28	\$ 550,077	\$ 118,853	\$ 431,224
Traffic Signal - Firestone	738,353	-	738,353

Note 16: Deficit Fund Balances

The following funds contained a deficit at June 30, 2014:

Fund	Amount
Governmental Funds:	
Nonmajor Special Revenue Funds:	
Traffic Safety	\$ 257,578
Proprietary Funds:	
Major Funds:	
Utility Authority - Water Fund	10,438,678
Internal Service Funds:	
Insurance	582,868
Fiduciary Funds:	
Private-Purpose Trust Fund:	
Successor Agency of the Former CDC	36,857,455

These deficits will be funded with future revenue.

Note 17: Successor Agency Trust for Assets of Former Community Development Commission

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of South Gate that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 7473.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments	\$ 5,512,771
Cash and investments with fiscal agent	5,563,611
	<u>\$ 11,076,382</u>

b. Notes and Loans Receivable

Description	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Family Trust Dudlext Housing Project	\$ 614,654	\$ -	\$ 51,222	\$ 563,432
Llovio Ford, Inc	246,000	-	24,000	222,000
Total	<u>\$ 860,654</u>	<u>\$ -</u>	<u>\$ 75,222</u>	<u>\$ 785,432</u>

On April 5, 1994, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with South Gate Realty Group for the development of certain Real property. South Gate Realty Group owns and operates a housing project located within the boundaries of the South Gate Community Development Commission at 8931 Dudlext Avenue consisting of 20 senior 1-bedroom units. South Gate Realty Group must comply with Housing and Urban Development (HUD) rents for 30 years from the certificate of occupancy date. The agreement states that 1/30th of the loan amount (\$51,222) will be forgiven each fiscal year starting from the occupancy date if South Gate Realty Group can illustrate compliance with the Disposition and Development Agreement (DDA). The DDA limits the rent at \$620 per unit less \$50 utility allowance for a net of \$570 per month or less. The compliance report is required to be submitted to the City each month in order to receive the \$51,222 annual forgiveness. At June 30, 2014, the outstanding balance on the loan is \$563,432.

On October 3, 1996, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with Llovio Ford Inc. to finance improvement of certain real property on which Llovio Ford Inc. operates an automobile dealership included within the boundaries of the South Gate Community Development Commission. Starting February 1, 1998, Llovio Ford Inc. shall make monthly payments on the 1st day of each month in the amount of \$2,000 for 25 years to be paid toward the principal of the note. At June 30, 2014, the outstanding balance is \$222,000.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

c. Capital Assets

An analysis of capital assets as of June 30, 2014, follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital Assets, not being depreciated				
Land	\$ 1,686,000	\$ -	\$ -	\$ 1,686,000
Total Capital Assets, Not Being Depreciated	<u>1,686,000</u>	<u>-</u>	<u>-</u>	<u>1,686,000</u>
Capital Assets, being depreciated				
Structures and Improvements	381,785	-	-	381,785
Machinery and Equipment	19,359	-	-	19,359
Total Capital Assets, Being Depreciated	<u>401,144</u>	<u>-</u>	<u>-</u>	<u>401,144</u>
Less Accumulated Depreciation				
Structures and Improvements	(125,669)	(19,089)	-	(144,758)
Machinery and Equipment	(19,359)	-	-	(19,359)
Total Accumulated Depreciation	<u>(145,028)</u>	<u>(19,089)</u>	<u>-</u>	<u>(164,117)</u>
Total Capital Assets, Being Depreciated, Net	<u>256,116</u>	<u>(19,089)</u>	<u>-</u>	<u>237,027</u>
Total Capital Assets, Net	<u>\$ 1,942,116</u>	<u>\$ (19,089)</u>	<u>\$ -</u>	<u>\$ 1,923,027</u>

d. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) as of June 30, 2014, is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Advances from City	\$ 20,518,080	\$ -	\$ (1,135,000)	\$ 19,383,080	\$ 3,787,029
2002 Tax Allocation Bonds	11,585,000	-	(720,000)	10,865,000	755,000
2003 Tax Allocation Bonds	21,285,000	-	(1,335,000)	19,950,000	1,390,000
Total	<u>\$ 53,388,080</u>	<u>\$ -</u>	<u>\$ (3,190,000)</u>	<u>50,198,080</u>	<u>\$ 5,932,029</u>
			Unamortized premium	783,032	
				<u>\$ 50,981,112</u>	

Advances from the City

A description of the advances payable to the City of South Gate as of June 30, 2014, consists of the following:

\$3,625,000 Advance

In July 1999, a \$3,625,000 advance was made between the Community Development Block Grant Special Revenue Fund and the Community

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

Development Commission. The Community Development Block Grant Special Revenue fund received a \$3,625,000 Section 108 loan from the U.S. Department of Housing and Urban Development and loaned the proceeds to the Commission to help fund the development of the Towne Center Plaza. The interest rate on the note is 6% and the repayment date corresponds with the repayment of the Towne Center Plaza loan receivable, which is semi-annually on August 1st and February 1st of each year. The amount outstanding at June 30, 2014, is \$1,600,000.

\$12,000,000 Advance

A \$12,000,000 advance was made during the fiscal year ended June 30, 2002, to provide funds for redevelopment purposes. The advance accrues interest at the rate of 3.5% per annum. The repayment of the advance is annually due on March 1st of each year. The amount outstanding at June 30, 2014, is \$3,388,080.

On May 11, 2012, the Department of Finance did not qualify the advance of \$12,000,000, with an outstanding balance of \$3,388,080, as an enforceable obligation. As a result the prior year repayment of \$979,118 was reinstated. Health and Safety Code (HSC) section 34177 (d) (2) states that agreements, contracts, or arrangements between the City that created the Redevelopment Agency and the former Redevelopment Agency are not enforceable, unless issued within two years of the Agency's creation date or for issuance of indebtedness to third-party investors or bondholders. The Agency was established in 1973 and the reimbursement agreement was entered into in 2002, therefore, it is not considered an enforceable obligation. The Successor Agency is in the process of having the advance approved as an enforceable obligation. In August 2014, the Department of Finance reversed its original decision and deemed this advance as an enforceable obligation beginning on the ROPS 14-15A.

\$15,185,000 Advance

In March 2002, the Commission entered into an agreement to borrow \$15,185,000 from the General Fund to provide for the advance refunding of the Commission's 1999 Subordinate Tax Allocation Revenue Notes and for the financing of certain redevelopment projects within the project area. The funding was provided through the issuance of the 2002 Series A Certificates of Participation issued by the City. The advance accrues interest between 4.8% and 5.0% per annum, payable semi-annually. Principal payments ranging from \$430,000 to \$1,105,000 are payable annually through September 2024. In the event that Commission tax revenues are not sufficient to pay the principal and interest on the advance, amounts shall be payable from any lawfully available funds of the City. The amount outstanding at June 30, 2014, is \$9,520,000.

\$7,280,000 Advance

In March 2002, the City's Community Development Commission entered into an agreement to borrow \$7,280,000 from the General Fund to provide for the advance refunding of the Commission's 1999 Subordinate Tax Allocation Revenue Notes. The funding was provided through the issuance of the

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

2002 Series B Certificates of Participation issued by the City. The advance accrues interest between 6.6% and 7% per annum, payable semi-annually. Principal payments ranging from \$165,000 to \$605,000 are payable annually through September 2024. In the event that agency tax revenues are not sufficient to pay the principal and interest on the advance, amounts shall be payable from any lawfully available funds of the Commission. The amount outstanding at June 30, 2014, is \$4,875,000.

The annual requirements to repay certain advances are as follows:

	\$3,625,000 Advance		\$12,000,000 Advance	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 230,000	\$ 117,107	\$ 2,582,029	\$ 311,576
2015 - 2016	240,000	98,816	703,907	28,212
2016 - 2017	255,000	79,427	102,144	3,575
2017 - 2018	275,000	58,535	-	-
2018 - 2019	290,000	23,831	-	-
2020 - 2024	310,000	24,670	-	-
Total	\$ 1,600,000	\$ 402,386	\$ 3,388,080	\$ 343,363

	\$15,185,000 Advance		\$7,280,000 Advance	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 665,000	\$ 497,700	\$ 310,000	\$ 341,250
2015 - 2016	695,000	467,775	330,000	319,550
2016 - 2017	725,000	433,025	355,000	296,450
2017 - 2018	765,000	393,150	380,000	271,600
2018 - 2019	810,000	351,075	405,000	245,000
2020 - 2024	4,755,000	1,041,525	2,490,000	757,400
2025 - 2029	1,105,000	55,250	605,000	42,350
Total	\$ 9,520,000	\$ 3,239,500	\$ 4,875,000	\$ 2,273,600

2002 Tax Allocation Revenue Bonds

In October 2002, the South Gate Public Financing Authority issued \$17,335,000 in Project Area No. 1 Tax Allocation Revenue Bonds. The net proceeds were used to purchase U.S. Government Securities to refund the remaining \$7,510,000 outstanding amount on the \$8,625,000 Housing Tax Allocation Bonds and to finance low and moderate income housing projects of the South Gate Community Development Commission. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Bonds. As a result, the entire 1998 Bonds are considered defeased and the liability for those bonds has been removed from the government-wide financial statements.

The bonds mature in amounts ranging from \$485,000 to \$1,270,000 with interest rates ranging from 3% to 5.75% through September 1, 2024. The final payment of principal and interest on the loan must be made no later than June 15, 2024, in order to comply with the deadline to repay bonded indebtedness imposed on the redevelopment project by the redevelopment loan. Interest on the bonds is payable

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

on March 1, 2003 and semi-annually thereafter on September 1 and March 1 of each year.

A reserve account is required to be maintained in an amount equal to the least of: (i) 10% of bonds outstanding with respect to which annual debt service is calculated; (ii) 125% of average annual debt service; or (iii) maximum annual debt service. As of June 30, 2014, the reserve requirement was \$1,336,006. The Authority purchased a Debt Service Reserve Fund Insurance Policy to meet this reserve requirement.

The bonds were issued at a premium of \$300,974. As of June 30, 2014, the outstanding balance on the bonds is \$10,865,000 and the unamortized premium is \$143,322.

2003 Tax Allocation Revenue Bonds

In November 2003, the South Gate Public Financing Authority issued \$31,900,000 in Project Area No. 1 Tax Allocation Revenue Bonds with an average interest rate of 4.1% to advance refund \$31,075,000 of outstanding 1994 Project Area No. 1 Tax Allocation Bonds with an average interest rate of 4.6%. The net proceeds were used to purchase U.S. government securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Bonds. As a result, the 1994 Bonds are considered defeased and have been paid in full.

The bonds mature in amounts ranging from \$1,045,000 to \$2,295,000 with interest rates ranging from 2% to 5.25% through September 1, 2024. Interest on the bonds is payable on March 1, 2004 and semi-annually thereafter on September 1 and March 1 of each year.

A reserve account is required to be maintained in an amount equal to the least of: (i) 10% of bonds outstanding with respect to which annual debt service is calculated; (ii) 125% of average annual debt service; or (iii) maximum annual debt service. As of June 30, 2014, the reserve requirement was \$2,406,531 and the balance held in the reserve account was \$2,407,889.

The bonds were issued at a premium of \$1,221,270. At June 30, 2014, the unamortized premium is \$639,710 and the outstanding balance on the bonds is \$19,950,000.

Debt Service Requirements

The Former Redevelopment Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$41,109,006 with annual debt service requirements as indicated in the following table. For the current year, the total property tax revenue recognized by the Authority for the payment of indebtedness incurred by the dissolved redevelopment agency was \$5,303,688 and the debt service obligation on the bonds was \$3,735,150.

The following schedule summarizes the debt service to maturity requirements for bonds payable outstanding as of June 30, 2014:

	2002 Tax Allocation Revenue Bonds		2003 Tax Allocation Revenue Bonds	
	Principal	Interest	Principal	Interest
2014 - 2015	\$ 755,000	\$ 577,556	\$ 1,390,000	\$ 1,016,531
2015 - 2016	795,000	539,806	1,460,000	943,556
2016 - 2017	835,000	500,056	1,535,000	866,906
2017 - 2018	875,000	458,306	1,620,000	786,319
2018 - 2019	920,000	412,369	1,700,000	701,269
2020 - 2024	5,415,000	1,250,944	9,950,000	2,069,156
2025 - 2029	1,270,000	65,088	2,295,000	106,144
Total	\$ 10,865,000	\$ 3,804,125	\$ 19,950,000	\$ 6,489,881

e. Commitments and Contingencies

On May 13, 1998, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with South Gate Villas, LLC. In accordance with this agreement, a promissory note, dated October 27, 1998, was written whereby South Gate Villas, LLC, would pay the Commission \$7,030,000. However, subject to certain provisions included in the disposition and development agreement, \$243,333 would be forgiven annually for each of the next twenty-nine years. Since the provisions indicated in the disposition and development agreement have been significantly met and the possibility of repayment is remote, no receivable has been reflected. The accounting treatment is in accordance with generally accepted accounting principles.

In addition, the Community Development Commission of the City of South Gate has land held for resale in the amount \$1,463,492 which was acquired and recorded at acquisition cost. Due to the downturn of the economic condition of the State and potential sale of the land in the future, the City may record a potential loss due to the fair market of the asset at the time of the sale.

REQUIRED SUPPLEMENTARY INFORMATION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Note 1: Stewardship, Compliance and Accountability**Budgets and Budgetary Accounting**

The City adheres to general procedures in establishing its annual budget, which is reflected in the accompanying budgetary statements and schedules. The annual budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them. Budgeted appropriations lapse at the end of the year. The City Council approves total budgeted appropriations and amendments to appropriations throughout the year. The City Council must approve budget appropriation transfers between departments within a fund. The departments of the General Fund are considered to be departments for purposes of this requirement. Actual expenditures may not legally exceed budgeted appropriations at the department level.

Annual budgets are adopted for all Governmental Funds on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP). Formal budgetary information is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year-end lapse, and then are added to the following years budgeted appropriations.

Excess Expenditures over Appropriations

Expenditures for the year ended June 30, 2014, exceeded the appropriations in the following fund:

Fund	Appropriations	Expenditures	Excess
Major Governmental Funds:			
General Fund			
Public Works	\$ 3,025,053	\$ 3,302,308	\$ (277,255)
Capital Outlay	102,810	119,695	(16,885)
Housing Authority			
Community Development	4,588,425	4,697,458	(109,033)
Grants			
Community Development	168,100	175,765	(7,665)
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Street Lighting & Landscaping			
Capital Outlay	55,605	56,193	(588)
Measure R Transit			
Public Works	144	1,436	(1,292)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$48,081,713	\$48,081,713	\$48,081,713	\$ -
Resources (Inflows):				
Taxes	27,103,749	27,103,749	29,262,345	2,158,596
Licenses and permits	1,043,655	1,043,655	1,468,394	424,739
Intergovernmental	184,000	344,000	410,490	66,490
Charges for services	4,355,801	4,355,801	4,841,689	485,888
Use of money and property	2,154,902	2,154,902	2,286,252	131,350
Fines and forfeitures	900,000	900,000	953,570	53,570
Miscellaneous	-	-	796,186	796,186
Transfers in	400,000	582,420	182,420	(400,000)
Amounts Available for Appropriations	84,223,820	84,566,240	88,283,059	3,716,819
Charges to Appropriations (Outflow):				
General government	5,244,169	5,244,169	4,880,974	363,195
Public safety	19,285,600	19,285,600	18,144,490	1,141,110
Community development	2,470,781	2,474,204	2,320,000	154,204
Parks and recreation	5,486,631	5,412,316	4,889,658	522,658
Public works	3,037,895	3,025,053	3,302,308	(277,255)
Capital outlay	60,000	102,810	119,695	(16,885)
Debt service:				
Principal retirement	2,084,180	2,084,180	2,084,180	-
Interest and fiscal charges	2,015,520	2,015,520	1,988,803	26,717
Transfers out	278,833	278,833	109,544	169,289
Total Charges to Appropriations	39,963,609	39,922,685	37,839,652	2,083,033
Budgetary Fund Balance, June 30	\$44,260,211	\$44,643,555	\$50,443,407	\$ 5,799,852

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$3,505,881	\$ 3,505,881	\$ 3,505,881	\$ -
Resources (Inflows):				
Intergovernmental	4,322,000	4,322,000	4,458,071	136,071
Use of money and property	5,000	5,000	3,973	(1,027)
Miscellaneous	6,600	6,600	-	(6,600)
Amounts Available for Appropriations	7,839,481	7,839,481	7,967,925	128,444
Charges to Appropriations (Outflow):				
Community development	4,588,425	4,588,425	4,697,458	(109,033)
Total Charges to Appropriations	4,588,425	4,588,425	4,697,458	(109,033)
Budgetary Fund Balance, June 30	\$3,251,056	\$ 3,251,056	\$ 3,270,467	\$ 19,411

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 GRANTS
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	19,779,115	19,779,115	6,140,744	(13,638,371)
Amounts Available for Appropriations	19,779,115	19,779,115	6,140,744	(13,638,371)
Charges to Appropriations (Outflow):				
Community development	168,100	168,100	175,765	(7,665)
Transfers out	16,857,478	16,857,478	5,964,979	10,892,499
Total Charges to Appropriations	17,025,578	17,025,578	6,140,744	10,884,834
Budgetary Fund Balance, June 30	\$2,753,537	\$ 2,753,537	\$ -	\$ (2,753,537)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 HOME PROGRAM
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	495,000	1,817,673	1,666,044	(151,629)
Transfers in	-	80,000	62,312	(17,688)
Amounts Available for Appropriations	495,000	1,897,673	1,728,356	(169,317)
Charges to Appropriations (Outflow):				
Community development	507,928	1,830,601	1,728,356	102,245
Total Charges to Appropriations	507,928	1,830,601	1,728,356	102,245
Budgetary Fund Balance, June 30	\$ (12,928)	\$ 67,072	\$ -	\$ (67,072)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 HOUSING SUCCESSOR
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 299,244	\$ 299,244	\$ 299,244	\$ -
Resources (Inflows):				
Use of money and property	10,000	10,000	12,599	2,599
Amounts Available for Appropriations	309,244	309,244	311,843	2,599
Budgetary Fund Balance, June 30	\$ 309,244	\$ 309,244	\$ 311,843	\$ 2,599

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for the proceeds of specific revenue sources (other than major capital projects that are restricted by law and administrative action).

Community Development Block Grant Fund – This fund accounts for revenues received from the U.S. Department of Housing and Urban Development for housing rehabilitation and other community improvement projects.

Law Enforcement Grants Fund – To account for revenues received from federal, state and local law enforcement grants to be used for public safety.

Asset Seizure Fund – To account for revenues received from asset seizures to augment law enforcement expenditures.

Air Quality Improvement Fund – To account for local revenue received from the Southern California Air Quality Management District to be used for clean air programs.

Traffic Safety Fund – To account for traffic safety programs funded by moving vehicle violations collected by the County court system and remitted to the City.

Gas Tax Fund – To account for gas tax and other transportation revenues received from the State for construction and maintenance of street projects.

Street Sweeping Fund – To account for street sweeping fees used to fund the City's street sweeping and storm drain maintenance.

Prop A Transit Fund – To account for revenues received from a one-half cent sales tax collected by L.A. County Metro and distributed to cities for use in transportation and related programs.

UDAG Fund – To account for former Urban Development Assistance Grant funds that the City uses for community development projects.

Prop C Transit Fund - To account for revenues received from a one-half cent sales tax collected by L.A. County Metro and distributed to cities for use in street improvement projects along major bus routes.

Public Access Corporation Fund – To account for revenues received from the City's cable television operator through a franchise agreement. This nonprofit corporation was established to promote community access through media.

Street Light & Landscaping Fund – To account for revenues received through a citywide street lighting assessment for street lighting and traffic signal maintenance.

American Recovery Reinvestment Act Fund - To account for revenues received from federal agencies to fund various streets, home rehabilitations and related improvement projects to enhance economic growth.

Measure-R Transit Fund - To account for revenues received from a one-half cent sales tax collected by L.A. County Metro and distributed to cities for use in transportation, street and road improvements.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue and Proprietary Funds).

Bike Way Fund – To account for Transportation Development Act (TDA) Article 3 funds to enhance the Citywide bikeway network.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

Ardine Assessment District Fund – To account for the payment of principal and interest on long-term debt of the Ardine Assessment District.

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Community Development Block Grant	Law Enforcement Grants	Asset Seizure	Air Quality Improvement
Assets:				
Cash and investments	\$ -	\$ 552,253	\$ 3,179,159	\$ 200,305
Receivables:				
Accounts	-	-	-	-
Notes and loans	3,064,627	-	-	-
Accrued interest	-	363	1,573	98
Prepaid costs	262	-	413	22,583
Due from other governments	757,993	247,621	-	30,642
Advances to Successor Agency	1,600,000	-	-	-
Total Assets	\$ 5,422,882	\$ 800,237	\$ 3,181,145	\$ 253,628
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 29,621	\$ -	\$ 72,885	\$ -
Accrued liabilities	19,630	31,235	20,519	-
Retentions payable	-	-	-	-
Unearned revenues	132,431	-	-	-
Due to other funds	614,073	-	-	-
Total Liabilities	795,755	31,235	93,404	-
Deferred Inflows of Resources:				
Unavailable revenues	3,027,127	-	-	-
Total Deferred Inflows of Resources	3,027,127	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	262	-	413	22,583
Notes and loans	37,500	-	-	-
Advances to Successor Agency	1,600,000	-	-	-
Restricted for:				
Community development projects	-	-	-	231,045
Public safety	-	769,002	3,087,328	-
Public works	-	-	-	-
Debt service	-	-	-	-
Unassigned	(37,762)	-	-	-
Total Fund Balances	1,600,000	769,002	3,087,741	253,628
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,422,882	\$ 800,237	\$ 3,181,145	\$ 253,628

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	<u>Special Revenue Funds</u>			
	<u>Traffic Safety</u>	<u>Gas Tax</u>	<u>Street Sweeping</u>	<u>Prop "A" Transit</u>
Assets:				
Cash and investments	\$ -	\$ 3,565,837	\$ -	\$ 1,890,716
Receivables:				
Accounts	-	-	118,365	-
Notes and loans	-	-	-	-
Accrued interest	-	1,689	-	916
Prepaid costs	-	-	-	-
Due from other governments	17,257	301,152	-	205,674
Advances to Successor Agency	-	-	-	-
Total Assets	<u>\$ 17,257</u>	<u>\$ 3,868,678</u>	<u>\$ 118,365</u>	<u>\$ 2,097,306</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 27,580	\$ 50,049	\$ 24,596	\$ 236,183
Accrued liabilities	-	43,454	9,085	9,348
Retentions payable	-	-	-	-
Unearned revenues	-	74,293	-	-
Due to other funds	247,255	-	27,004	-
Total Liabilities	<u>274,835</u>	<u>167,796</u>	<u>60,685</u>	<u>245,531</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Notes and loans	-	-	-	-
Advances to Successor Agency	-	-	-	-
Restricted for:				
Community development projects	-	-	-	1,851,775
Public safety	-	-	-	-
Public works	-	3,700,882	57,680	-
Debt service	-	-	-	-
Unassigned	(257,578)	-	-	-
Total Fund Balances	<u>(257,578)</u>	<u>3,700,882</u>	<u>57,680</u>	<u>1,851,775</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,257</u>	<u>\$ 3,868,678</u>	<u>\$ 118,365</u>	<u>\$ 2,097,306</u>

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	UDAG	Prop "C" Transit	Public Access Corporation	Street Light & Landscaping
Assets:				
Cash and investments	\$ 817,142	\$ 2,242,161	\$ 288,883	\$ 437,410
Receivables:				
Accounts	-	-	-	6,907
Notes and loans	-	-	-	-
Accrued interest	523	1,338	156	244
Prepaid costs	-	-	-	-
Due from other governments	99,132	-	-	30,365
Advances to Successor Agency	-	-	-	-
Total Assets	\$ 916,797	\$ 2,243,499	\$ 289,039	\$ 474,926
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 18,589	\$ 12,107	\$ 132	\$ 143,049
Accrued liabilities	-	-	-	19,867
Retentions payable	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	18,589	12,107	132	162,916
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Notes and loans	-	-	-	-
Advances to Successor Agency	-	-	-	-
Restricted for:				
Community development projects	898,208	-	288,907	-
Public safety	-	-	-	-
Public works	-	2,231,392	-	312,010
Debt service	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	898,208	2,231,392	288,907	312,010
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 916,797	\$ 2,243,499	\$ 289,039	\$ 474,926

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

(CONTINUED)

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
	<u>American Recovery and Reinvestment Act</u>	<u>Measure R Transit</u>	<u>Bike Way</u>	<u>Ardine Assessment District</u>
Assets:				
Cash and investments	\$ 367,431	\$ 1,605,488	\$ -	\$ 5,920
Receivables:				
Accounts	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	1,489	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Advances to Successor Agency	-	-	-	-
Total Assets	\$ 367,431	\$ 1,606,977	\$ -	\$ 5,920
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 275,960	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Retentions payable	91,471	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	367,431	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Notes and loans	-	-	-	-
Advances to Successor Agency	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,606,977	-	-
Debt service	-	-	-	5,920
Unassigned	-	-	-	-
Total Fund Balances	-	1,606,977	-	5,920
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 367,431	\$ 1,606,977	\$ -	\$ 5,920

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Total Nonmajor Governmental Funds
Assets:	
Cash and investments	\$ 15,152,705
Receivables:	
Accounts	125,272
Notes and loans	3,064,627
Accrued interest	8,389
Prepaid costs	23,258
Due from other governments	1,689,836
Advances to Successor Agency	1,600,000
	<u>1,600,000</u>
Total Assets	<u>\$ 21,664,087</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 890,751
Accrued liabilities	153,138
Retentions payable	91,471
Unearned revenues	206,724
Due to other funds	888,332
	<u>888,332</u>
Total Liabilities	<u>2,230,416</u>
Deferred Inflows of Resources:	
Unavailable revenues	<u>3,027,127</u>
Total Deferred Inflows of Resources	<u>3,027,127</u>
Fund Balances:	
Nonspendable:	
Prepaid costs	23,258
Notes and loans	37,500
Advances to Successor Agency	1,600,000
Restricted for:	
Community development projects	3,269,935
Public safety	3,856,330
Public works	7,908,941
Debt service	5,920
Unassigned	<u>(295,340)</u>
Total Fund Balances	<u>16,406,544</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,664,087</u>

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CITY OF SOUTH GATE

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	Community Development Block Grant	Law Enforcement Grants	Asset Seizure	Air Quality Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,232,087	555,230	-	116,907
Charges for services	-	-	-	-
Use of money and property	140,176	1,333	5,775	360
Fines and forfeitures	-	-	1,586,005	-
Miscellaneous	-	-	-	-
Total Revenues	2,372,263	556,563	1,591,780	117,267
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	201,123	637,452	-
Community development	680,166	-	-	22,632
Public works	-	-	-	-
Capital outlay	554	135,845	267,807	-
Debt service:				
Principal retirement	470,000	-	-	18,696
Interest and fiscal charges	140,176	-	-	3,888
Total Expenditures	1,290,896	336,968	905,259	45,216
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,081,367	219,595	686,521	72,051
Other Financing Sources (Uses):				
Transfers in	-	-	88,451	-
Transfers out	(1,296,367)	(88,451)	-	-
Total Other Financing Sources (Uses)	(1,296,367)	(88,451)	88,451	-
Net Change in Fund Balances	(215,000)	131,144	774,972	72,051
Fund Balances, Beginning of Year	1,815,000	637,858	2,312,769	181,577
Fund Balances, End of Year	\$ 1,600,000	\$ 769,002	\$ 3,087,741	\$ 253,628

CITY OF SOUTH GATE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Street Sweeping	Prop "A" Transit
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,185,210	4,263	2,119,603
Charges for services	-	-	683,968	182,279
Use of money and property	-	6,202	-	3,361
Fines and forfeitures	375,434	-	-	-
Miscellaneous	-	-	-	7,730
Total Revenues	375,434	3,191,412	688,231	2,312,973
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	360,976	-	-	-
Community development	-	-	-	1,789,622
Public works	-	2,051,238	569,171	-
Capital outlay	-	1,884	-	-
Debt service:				
Principal retirement	-	-	82,805	-
Interest and fiscal charges	-	-	5,470	-
Total Expenditures	360,976	2,053,122	657,446	1,789,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,458	1,138,290	30,785	523,351
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(15,938)	-	-
Total Other Financing Sources (Uses)	-	(15,938)	-	-
Net Change in Fund Balances	14,458	1,122,352	30,785	523,351
Fund Balances, Beginning of Year	(272,036)	2,578,530	26,895	1,328,424
Fund Balances, End of Year	\$ (257,578)	\$ 3,700,882	\$ 57,680	\$ 1,851,775

CITY OF SOUTH GATE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	UDAG	Prop "C" Transit	Public Access Corporation	Street Light & Landscaping
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 2,016,336
Intergovernmental	126,671	1,544,687	-	-
Charges for services	-	-	-	-
Use of money and property	1,919	4,911	573	897
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	36,092	703
Total Revenues	128,590	1,549,598	36,665	2,017,936
Expenditures:				
Current:				
General government	-	-	5,730	-
Public safety	-	-	-	-
Community development	193,522	-	-	-
Public works	-	297,988	-	2,378,123
Capital outlay	-	-	-	56,193
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	193,522	297,988	5,730	2,434,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,932)	1,251,610	30,935	(416,380)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(800,351)	-	(3,531)
Total Other Financing Sources (Uses)	-	(800,351)	-	(3,531)
Net Change in Fund Balances	(64,932)	451,259	30,935	(419,911)
Fund Balances, Beginning of Year	963,140	1,780,133	257,972	731,921
Fund Balances, End of Year	\$ 898,208	\$ 2,231,392	\$ 288,907	\$ 312,010

CITY OF SOUTH GATE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds		Capital Projects Fund	Debt Service Fund
	American Recovery and Reinvestment Act	Measure R Transit	Bike Way	Ardine Assessment District
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,000,874	121,608	31,822
Charges for services	-	-	-	-
Use of money and property	-	5,468	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	1,006,342	121,608	31,822
Expenditures:				
Current:				
General government	-	-	-	2,007
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	1,436	-	1,500
Capital outlay	2,213,521	-	-	-
Debt service:				
Principal retirement	-	-	-	30,000
Interest and fiscal charges	-	-	-	2,813
Total Expenditures	2,213,521	1,436	-	36,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,213,521)	1,004,906	121,608	(4,498)
Other Financing Sources (Uses):				
Transfers in	2,213,521	-	-	-
Transfers out	-	(1,570,960)	(121,608)	-
Total Other Financing Sources (Uses)	2,213,521	(1,570,960)	(121,608)	-
Net Change in Fund Balances	-	(566,054)	-	(4,498)
Fund Balances, Beginning of Year	-	2,173,031	-	10,418
Fund Balances, End of Year	\$ -	\$ 1,606,977	\$ -	\$ 5,920

CITY OF SOUTH GATE

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Total Nonmajor Governmental Funds
Revenues:	
Taxes	\$ 2,016,336
Intergovernmental	11,038,962
Charges for services	866,247
Use of money and property	170,975
Fines and forfeitures	1,961,439
Miscellaneous	44,525
	<hr/>
Total Revenues	16,098,484
	<hr/>
Expenditures:	
Current:	
General government	7,737
Public safety	1,199,551
Community development	2,685,942
Public works	5,299,456
Capital outlay	2,675,804
Debt service:	
Principal retirement	601,501
Interest and fiscal charges	152,347
	<hr/>
Total Expenditures	12,622,338
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,476,146
	<hr/>
Other Financing Sources (Uses):	
Transfers in	2,301,972
Transfers out	(3,897,206)
	<hr/>
Total Other Financing Sources (Uses)	(1,595,234)
	<hr/>
Net Change in Fund Balances	1,880,912
	<hr/>
Fund Balances, Beginning of Year	14,525,632
	<hr/>
Fund Balances, End of Year	\$ 16,406,544
	<hr/> <hr/>

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,815,000	\$ 1,815,000	\$ 1,815,000	\$ -
Resources (Inflows):				
Intergovernmental	1,750,000	1,676,165	2,232,087	555,922
Use of money and property	228,293	228,293	140,176	(88,117)
Transfers in	57,508	57,508	-	(57,508)
Amounts Available for Appropriations	3,850,801	3,776,966	4,187,263	410,297
Charges to Appropriations (Outflow):				
Community development	844,329	781,690	680,166	101,524
Capital outlay	57,508	364,840	554	364,286
Debt service:				
Principal retirement	470,000	470,000	470,000	-
Interest and fiscal charges	143,505	143,505	140,176	3,329
Transfers out	1,090,091	1,314,055	1,296,367	17,688
Total Charges to Appropriations	2,605,433	3,074,090	2,587,263	486,827
Budgetary Fund Balance, June 30	\$ 1,245,368	\$ 702,876	\$ 1,600,000	\$ 897,124

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT GRANTS
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 637,858	\$ 637,858	\$ 637,858	\$ -
Resources (Inflows):				
Intergovernmental	457,297	683,397	555,230	(128,167)
Use of money and property	250	250	1,333	1,083
Amounts Available for Appropriations	1,095,405	1,321,505	1,194,421	(127,084)
Charges to Appropriations (Outflow):				
Public safety	552,080	558,180	201,123	357,057
Capital outlay	-	150,000	135,845	14,155
Transfers out	-	70,000	88,451	(18,451)
Total Charges to Appropriations	552,080	778,180	425,419	352,761
Budgetary Fund Balance, June 30	\$ 543,325	\$ 543,325	\$ 769,002	\$ 225,677

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 ASSET SEIZURE
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$2,312,769	\$ 2,312,769	\$ 2,312,769	\$ -
Resources (Inflows):				
Use of money and property	4,000	4,000	5,775	1,775
Fines and forfeitures	1,320,991	1,320,991	1,586,005	265,014
Miscellaneous	3,213	3,213	-	(3,213)
Transfers in	-	70,000	88,451	18,451
Amounts Available for Appropriations	3,640,973	3,710,973	3,993,000	282,027
Charges to Appropriations (Outflow):				
Public safety	690,462	654,895	637,452	17,443
Capital outlay	268,936	304,504	267,807	36,697
Total Charges to Appropriations	959,398	959,399	905,259	54,140
Budgetary Fund Balance, June 30	\$2,681,575	\$ 2,751,574	\$ 3,087,741	\$ 336,167

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 181,577	\$ 181,577	\$ 181,577	\$ -
Resources (Inflows):				
Intergovernmental	115,200	115,200	116,907	1,707
Use of money and property	400	400	360	(40)
Amounts Available for Appropriations	297,177	297,177	298,844	1,667
Charges to Appropriations (Outflow):				
Community development	91,416	125,416	22,632	102,784
Debt service:				
Principal retirement	18,695	18,695	18,696	(1)
Interest and fiscal charges	3,888	3,888	3,888	-
Total Charges to Appropriations	113,999	147,999	45,216	102,783
Budgetary Fund Balance, June 30	\$ 183,178	\$ 149,178	\$ 253,628	\$ 104,450

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (272,036)	\$ (272,036)	\$ (272,036)	\$ -
Resources (Inflows):				
Fines and forfeitures	600,000	600,000	375,434	(224,566)
Amounts Available for Appropriations	327,964	327,964	103,398	(224,566)
Charges to Appropriations (Outflow):				
Public safety	712,102	728,347	360,976	367,371
Capital outlay	30,000	30,000	-	30,000
Total Charges to Appropriations	742,102	758,347	360,976	397,371
Budgetary Fund Balance, June 30	\$ (414,138)	\$ (430,383)	\$ (257,578)	\$ 172,805

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$2,578,530	\$ 2,578,530	\$ 2,578,530	\$ -
Resources (Inflows):				
Intergovernmental	2,426,130	2,602,082	3,185,210	583,128
Use of money and property	15,000	15,000	6,202	(8,798)
Amounts Available for Appropriations	5,019,660	5,195,612	5,769,942	574,330
Charges to Appropriations (Outflow):				
Public works	2,455,393	2,558,573	2,051,238	507,335
Capital outlay	5,000	5,000	1,884	3,116
Transfers out	2,232,978	2,282,978	15,938	2,267,040
Total Charges to Appropriations	4,693,371	4,846,551	2,069,060	2,777,491
Budgetary Fund Balance, June 30	\$ 326,289	\$ 349,061	\$ 3,700,882	\$ 3,351,821

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 STREET SWEEPING
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,895	\$ 26,895	\$ 26,895	\$ -
Resources (Inflows):				
Intergovernmental	-	-	4,263	4,263
Charges for services	625,000	625,000	683,968	58,968
Amounts Available for Appropriations	651,895	651,895	715,126	63,231
Charges to Appropriations (Outflow):				
Public works	584,374	584,374	569,171	15,203
Capital outlay	40,000	40,000	-	40,000
Debt service:				
Principal retirement	82,805	82,805	82,805	-
Interest and fiscal charges	5,470	5,470	5,470	-
Total Charges to Appropriations	712,649	712,649	657,446	55,203
Budgetary Fund Balance, June 30	\$ (60,754)	\$ (60,754)	\$ 57,680	\$ 118,434

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 PROP "A" TRANSIT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,328,424	\$ 1,328,424	\$ 1,328,424	\$ -
Resources (Inflows):				
Intergovernmental	2,042,498	2,492,498	2,119,603	(372,895)
Charges for services	97,000	97,000	182,279	85,279
Use of money and property	2,500	2,500	3,361	861
Miscellaneous	8,000	8,000	7,730	(270)
Amounts Available for Appropriations	3,478,422	3,928,422	3,641,397	(287,025)
Charges to Appropriations (Outflow):				
Community development	2,074,527	2,074,527	1,789,622	284,905
Capital outlay	-	450,000	-	450,000
Total Charges to Appropriations	2,074,527	2,524,527	1,789,622	734,905
Budgetary Fund Balance, June 30	\$ 1,403,895	\$ 1,403,895	\$ 1,851,775	\$ 447,880

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 UDAG
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 963,140	\$ 963,140	\$ 963,140	\$ -
Resources (Inflows):				
Intergovernmental	-	821,458	126,671	(694,787)
Use of money and property	-	-	1,919	1,919
Amounts Available for Appropriations	963,140	1,784,598	1,091,730	(692,868)
Charges to Appropriations (Outflow):				
Community development	-	841,458	193,522	647,936
Total Charges to Appropriations	-	841,458	193,522	647,936
Budgetary Fund Balance, June 30	\$ 963,140	\$ 943,140	\$ 898,208	\$ (44,932)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 PROP "C" TRANSIT
 YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,780,133	\$ 1,780,133	\$ 1,780,133	\$ -
Resources (Inflows):				
Intergovernmental	1,270,587	1,270,587	1,544,687	274,100
Use of money and property	3,500	3,500	4,911	1,411
Amounts Available for Appropriations	3,054,220	3,054,220	3,329,731	275,511
Charges to Appropriations (Outflow):				
Public works	660,550	610,760	297,988	312,772
Transfers out	1,691,003	1,691,003	800,351	890,652
Total Charges to Appropriations	2,351,553	2,301,763	1,098,339	1,203,424
Budgetary Fund Balance, June 30	\$ 702,667	\$ 752,457	\$ 2,231,392	\$ 1,478,935

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 PUBLIC ACCESS CORPORATION
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 257,972	\$ 257,972	\$ 257,972	\$ -
Resources (Inflows):				
Use of money and property	-	-	573	573
Miscellaneous	32,480	32,480	36,092	3,612
Amounts Available for Appropriations	290,452	290,452	294,637	4,185
Charges to Appropriations (Outflow):				
General government	14,175	14,175	5,730	8,445
Total Charges to Appropriations	14,175	14,175	5,730	8,445
Budgetary Fund Balance, June 30	\$ 276,277	\$ 276,277	\$ 288,907	\$ 12,630

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHT & LANDSCAPING
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 731,921	\$ 731,921	\$ 731,921	\$ -
Resources (Inflows):				
Taxes	2,000,000	2,000,000	2,016,336	16,336
Use of money and property	-	-	897	897
Miscellaneous	-	-	703	703
Amounts Available for Appropriations	2,731,921	2,731,921	2,749,857	17,936
Charges to Appropriations (Outflow):				
Public works	2,860,920	2,902,765	2,378,123	524,642
Capital outlay	34,790	55,605	56,193	(588)
Transfers out	40,128	40,128	3,531	36,597
Total Charges to Appropriations	2,935,838	2,998,498	2,437,847	560,651
Budgetary Fund Balance, June 30	\$ (203,917)	\$ (266,577)	\$ 312,010	\$ 578,587

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 AMERICAN RECOVERY AND REINVESTMENT ACT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Transfers in	4,254,423	4,254,423	2,213,521	(2,040,902)
Amounts Available for Appropriations	4,254,423	4,254,423	2,213,521	(2,040,902)
Charges to Appropriations (Outflow):				
Capital outlay	4,254,423	4,258,168	2,213,521	2,044,647
Total Charges to Appropriations	4,254,423	4,258,168	2,213,521	2,044,647
Budgetary Fund Balance, June 30	\$ -	\$ (3,745)	\$ -	\$ 3,745

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 MEASURE R TRANSIT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$2,173,031	\$ 2,173,031	\$ 2,173,031	\$ -
Resources (Inflows):				
Intergovernmental	952,964	952,964	1,000,874	47,910
Use of money and property	2,000	2,000	5,468	3,468
Amounts Available for Appropriations	3,127,995	3,127,995	3,179,373	51,378
Charges to Appropriations (Outflow):				
Public works	-	144	1,436	(1,292)
Transfers out	2,146,320	2,346,320	1,570,960	775,360
Total Charges to Appropriations	2,146,320	2,346,464	1,572,396	774,068
Budgetary Fund Balance, June 30	\$ 981,675	\$ 781,531	\$ 1,606,977	\$ 825,446

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 926,999	\$ 926,999	\$ 926,999	\$ -
Resources (Inflows):				
Intergovernmental	-	-	120,829	120,829
Transfers in	21,068,432	21,401,584	7,519,920	(13,881,664)
Amounts Available for Appropriations	21,995,431	22,328,583	8,567,748	(13,760,835)
Charges to Appropriations (Outflow):				
Capital outlay	21,078,432	22,092,556	7,735,718	14,356,838
Transfers out	400,000	400,000	-	400,000
Total Charges to Appropriations	21,478,432	22,492,556	7,735,718	14,756,838
Budgetary Fund Balance, June 30	\$ 516,999	\$ (163,973)	\$ 832,030	\$ 996,003

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 BIKE WAY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	54,279	121,608	121,608	-
Amounts Available for Appropriations	54,279	121,608	121,608	-
Charges to Appropriations (Outflow):				
Capital outlay	72,516	-	-	-
Transfers out	-	121,608	121,608	-
Total Charges to Appropriations	72,516	121,608	121,608	-
Budgetary Fund Balance, June 30	\$ (18,237)	\$ -	\$ -	\$ -

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 ARDINE ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,418	\$ 10,418	\$ 10,418	\$ -
Resources (Inflows):				
Intergovernmental	30,000	30,000	31,822	1,822
Use of money and property	1,000	1,000	-	(1,000)
Amounts Available for Appropriations	41,418	41,418	42,240	822
Charges to Appropriations (Outflow):				
General government	2,500	2,500	2,007	493
Public works	1,500	1,500	1,500	-
Debt service:				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	2,813	2,813	2,813	-
Total Charges to Appropriations	36,813	36,813	36,320	493
Budgetary Fund Balance, June 30	\$ 4,605	\$ 4,605	\$ 5,920	\$ 1,315

INTERNAL SERVICE FUNDS

Internal Service Funds have been established to finance and account for goods and services provided by one City department to other City departments or agencies. Funds included are:

Insurance Fund – To administer the City's self-insured workers' compensation, health insurance and general liability programs. The fund collects premiums from departments and employees, records the related liability and makes benefit payments through outside settlement agents.

Information Systems Fund – To account for the operation of data processing equipment and data processing services provided to other departments within the City.

Fleet Management Fund – To account for the regular maintenance and repair of all City owned vehicles and other pieces of equipment.

CITY OF SOUTH GATE

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014**

	Insurance	Information Systems	Fleet Management	Total
Assets:				
Current:				
Cash and investments	\$ 6,783,081	\$ 581,519	\$ 487,933	\$ 7,852,533
Receivables:				
Accrued interest	3,282	185	139	3,606
Prepaid costs	5,882	72	-	5,954
Due from other funds	24,093	12,625	1,476	38,194
Total Current Assets	6,816,338	594,401	489,548	7,900,287
Noncurrent:				
Capital assets - net of accumulated depreciation	-	384,990	133,114	518,104
Total Noncurrent Assets	-	384,990	133,114	518,104
Total Assets	6,816,338	979,391	622,662	8,418,391
Liabilities:				
Current:				
Accounts payable	13,700	20,447	80,305	114,452
Accrued liabilities	2,177	7,363	18,500	28,040
Accrued claims and judgments	890,000	-	-	890,000
Total Current Liabilities	905,877	27,810	98,805	1,032,492
Noncurrent:				
Accrued claims and judgments	6,493,329	-	-	6,493,329
Total Noncurrent Liabilities	6,493,329	-	-	6,493,329
Total Liabilities	7,399,206	27,810	98,805	7,525,821
Net Position:				
Net investment in capital assets	-	384,990	133,114	518,104
Unrestricted	(582,868)	566,591	390,743	374,466
Total Net Position	\$ (582,868)	\$ 951,581	\$ 523,857	\$ 892,570

CITY OF SOUTH GATE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Insurance</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 3,638,459	\$ 653,581	\$ 1,338,462	\$ 5,630,502
Miscellaneous	188,241	-	-	188,241
Total Operating Revenues	<u>3,826,700</u>	<u>653,581</u>	<u>1,338,462</u>	<u>5,818,743</u>
Operating Expenses:				
Personnel services	73,816	194,332	525,726	793,874
Contractual services	138,904	43,464	76,193	258,561
Administrative services	74,796	107,964	47,625	230,385
Repair and maintenance	-	42,202	9,248	51,450
Supplies	1,588	33,380	711,945	746,913
Insurance	1,511,372	-	-	1,511,372
Claims expense	1,747,525	-	-	1,747,525
Depreciation expense	-	53,982	51,984	105,966
Total Operating Expenses	<u>3,548,001</u>	<u>475,324</u>	<u>1,422,721</u>	<u>5,446,046</u>
Operating Income (Loss)	<u>278,699</u>	<u>178,257</u>	<u>(84,259)</u>	<u>372,697</u>
Nonoperating Revenues (Expenses):				
Interest revenue	<u>12,054</u>	<u>681</u>	<u>514</u>	<u>13,249</u>
Total Nonoperating Revenues (Expenses)	<u>12,054</u>	<u>681</u>	<u>514</u>	<u>13,249</u>
Changes in Net Position	290,753	178,938	(83,745)	385,946
Net Position:				
Beginning of Year	<u>(873,621)</u>	<u>772,643</u>	<u>607,602</u>	<u>506,624</u>
End of Fiscal Year	<u>\$ (582,868)</u>	<u>\$ 951,581</u>	<u>\$ 523,857</u>	<u>\$ 892,570</u>

CITY OF SOUTH GATE

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Insurance	Information Systems	Fleet Management	Total
Cash Flows from Operating Activities:				
Cash received from interfund service provided	\$ 3,826,700	\$ 653,581	\$ 1,338,462	\$ 5,818,743
Cash paid to suppliers for goods and services	(3,234,388)	(99,379)	(784,222)	(4,117,989)
Cash paid to employees for services	(148,404)	(301,309)	(570,281)	(1,019,994)
Net Cash Provided (Used) by Operating Activities	443,908	252,893	(16,041)	680,760
Cash Flows from Non-Capital Financing Activities:				
Payments received from other funds	7,828	-	-	7,828
Net Cash Provided (Used) by Non-Capital Financing Activities	7,828	-	-	7,828
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	-	(39,171)	(39,171)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(39,171)	(39,171)
Cash Flows from Investing Activities:				
Interest received	11,523	575	504	12,602
Net Cash Provided (Used) by Investing Activities	11,523	575	504	12,602
Net Increase (Decrease) in Cash and Cash Equivalents	463,259	253,468	(54,708)	662,019
Cash and Cash Equivalents at Beginning of Year	6,319,822	328,051	542,641	7,190,514
Cash and Cash Equivalents at End of Year	\$ 6,783,081	\$ 581,519	\$ 487,933	\$ 7,852,533
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 278,699	\$ 178,257	\$ (84,259)	\$ 372,697
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	-	53,982	51,984	105,966
(Increase) decrease in prepaid costs	(46)	3,573	-	3,527
Increase (decrease) in accounts payable	(19,405)	16,094	13,164	9,853
Increase (decrease) in accrued liabilities	208	987	3,070	4,265
Increase (decrease) in claims and judgments	184,452	-	-	184,452
Total Adjustments	165,209	74,636	68,218	308,063
Net Cash Provided (Used) by Operating Activities	\$ 443,908	\$ 252,893	\$ (16,041)	\$ 680,760

Non-Cash Investing, Capital, and Financing Activities:

There was no noncash transactions during the year.

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AGENCY FUNDS

Agency Funds accounts for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own. The following is classified as agency fund in the financial statements:

Special Deposits Fund - This fund is used to account for deposits placed with the City for future services, and trust funds awaiting remittance to relevant service provider.

CITY OF SOUTH GATE

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 274,713	\$ 247,335	\$ 69,561	\$ 452,487
Total Assets	<u>\$ 274,713</u>	<u>\$ 247,335</u>	<u>\$ 69,561</u>	<u>\$ 452,487</u>
Liabilities:				
Accounts payable	\$ 407	\$ 222,813	\$ 47,381	\$ 175,839
Deposits payable	274,306	247,335	244,993	276,648
Total Liabilities	<u>\$ 274,713</u>	<u>\$ 470,148</u>	<u>\$ 292,374</u>	<u>\$ 452,487</u>

City of South Gate
Net Position by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities									
Net Investment in capital assets	\$ 24,237	\$ 211,482	\$ 227,365	\$ 224,978	\$ 220,549	\$ 225,744	\$ 223,175	\$ 223,462	\$ 227,259
Restricted	33,630	34,545	35,697	13,046	27,732	27,636	16,603	19,734	21,358
Unrestricted	(27,902)	(32,020)	(42,119)	(21,792)	(28,701)	(19,889)	9,355	10,889	13,875
Total governmental activities net position	\$ 29,965	\$ 214,007	\$ 220,943	\$ 216,232	\$ 219,580	\$ 233,491	\$ 249,133	\$ 254,085	\$ 262,492
Business-type activities									
Net Investment in capital assets	\$ 9,638	\$ 21,765	\$ 38,748	\$ 36,267	\$ 37,212	\$ 38,113	\$ 39,090	\$ 44,813	\$ 44,824
Restricted	-	-	-	-	-	4,497	4,194	13,944	14,492
Unrestricted	(16,990)	(26,392)	(41,024)	(36,336)	(36,012)	(40,350)	(39,723)	(53,012)	(48,245)
Total business-type activities net position	\$ (7,352)	\$ (4,627)	\$ (2,276)	\$ (69)	\$ 1,200	\$ 2,260	\$ 3,561	\$ 5,745	\$ 11,071
Primary government									
Net Investment in capital assets	\$ 33,875	\$ 233,247	\$ 266,113	\$ 261,245	\$ 257,761	\$ 263,857	\$ 262,265	\$ 268,275	\$ 272,083
Restricted	33,630	34,545	35,697	13,046	27,732	32,133	20,797	33,678	35,850
Unrestricted	(44,892)	(58,412)	(83,143)	(58,128)	(64,713)	(60,239)	(30,368)	(42,123)	(34,370)
Total primary government net position	\$ 22,613	\$ 209,380	\$ 218,667	\$ 216,163	\$ 220,780	\$ 235,751	\$ 252,694	\$ 259,830	\$ 273,563

Source: The information is derived from the City's financial statements. The City implemented GASB 34. Information prior to the implementation of GASB 34 is not available.

CITY OF SOUTH GATE
CHANGES IN NET POSITION, CONTINUED
LAST NINE FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses									
Governmental activities:									
General government	\$ 3,885	\$ 9,623	\$ 8,961	\$ 6,294	\$ 5,425	\$ 7,314	\$ 5,917	\$ 5,591	\$ 4,648
Public works	5,872	22,006	22,402	20,976	14,034	13,291	15,255	15,504	15,988
Parks and recreation	3,970	4,655	1,760	5,608	4,739	4,552	4,963	5,174	5,454
Police	19,452	21,695	24,516	23,627	21,097	20,849	20,663	20,065	20,251
Community development	18,039	15,808	13,219	13,469	17,505	13,569	13,806	10,690	11,651
Interest expense	7,880	6,603	7,564	7,338	6,057	5,783	3,556	2,260	2,148
Total governmental activities expenses	59,098	80,390	78,422	77,312	68,857	65,358	64,160	59,284	60,140
Business-type activities:									
Sewer	1,296	1,043	1,591	1,251	1,405	1,483	1,508	1,496	1,591
Water	7,974	9,351	10,071	10,454	10,857	11,038	11,526	13,206	12,411
Refuse	2,628	3,156	3,268	3,417	3,267	3,276	3,860	3,499	3,498
Total business-type activities expenses	11,898	13,550	14,930	15,122	15,529	15,797	16,894	18,201	17,500
Total primary government expenses	\$ 70,996	\$ 93,940	\$ 93,352	\$ 92,434	\$ 84,386	\$ 81,155	\$ 81,054	\$ 77,485	\$ 77,640

Source: The information is derived from the City's financial statements. The City implemented GASB 34. Information prior to the implementation of GASB 34 is not available.

CITY OF SOUTH GATE
CHANGES IN NET POSITION, CONTINUED
LAST NINE FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Program Revenues									
Governmental activities:									
Charges for service:									
General government	\$ 6,025	\$ 7,642	\$ 6,926	\$ 2,529	\$ 3,157	\$ 3,159	\$ 3,157	\$ 3,032	\$ 3,102
Public works	2,669	3,568	3,622	5,698	945	1,091	1,185	1,163	1,101
Parks and recreation	53	788	645	882	495	526	558	685	894
Police	932	3,557	2,009	962	2,919	3,045	3,231	2,656	3,445
Community development	235	-	1,832	1,440	3,102	4,863	3,777	3,229	4,171
Operating grants and contributions	18,585	12,527	24,736	21,649	14,876	19,363	13,640	14,777	16,363
Capital grants and contributions	777	6,265	1,959	1,348	4,598	6,144	5,201	3,993	4,696
Total governmental activities program revenues	<u>29,276</u>	<u>34,347</u>	<u>41,729</u>	<u>34,508</u>	<u>30,092</u>	<u>38,191</u>	<u>30,749</u>	<u>29,535</u>	<u>33,772</u>
Business-type activities:									
Charges for service:									
Sewer	1,349	1,357	1,354	1,545	1,362	1,451	1,497	1,485	1,513
Water	10,487	12,142	12,692	12,146	11,723	11,818	12,787	15,061	17,255
Refuse	2,694	2,919	3,114	3,192	3,179	3,390	3,359	3,550	3,673
Operating grants and contributions	7	37	65	-	36	43	548	54	64
Capital grants and contributions	-	14	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>14,537</u>	<u>16,469</u>	<u>17,225</u>	<u>16,883</u>	<u>16,300</u>	<u>16,702</u>	<u>18,191</u>	<u>20,150</u>	<u>22,505</u>
Total primary government program revenues	<u>\$ 43,813</u>	<u>\$ 50,816</u>	<u>\$ 58,954</u>	<u>\$ 51,391</u>	<u>\$ 46,392</u>	<u>\$ 54,893</u>	<u>\$ 48,940</u>	<u>\$ 49,685</u>	<u>\$ 56,277</u>
Net (expense)/revenue									
Governmental activities	\$ (29,822)	\$ (46,043)	\$ (36,693)	\$ (42,804)	\$ (38,765)	\$ (27,167)	\$ (33,411)	\$ (29,749)	\$ (26,368)
Business-type activities	2,639	2,919	2,295	1,761	771	905	1,297	1,949	5,005
Total primary government net expense	<u>\$ (27,183)</u>	<u>\$ (43,124)</u>	<u>\$ (34,398)</u>	<u>\$ (41,043)</u>	<u>\$ (37,994)</u>	<u>\$ (26,262)</u>	<u>\$ (32,114)</u>	<u>\$ (27,800)</u>	<u>\$ (21,363)</u>

Source: The information is derived from the City's financial statements. The City implemented GASB 34. Information prior to the implementation of GASB 34 is not available.

CITY OF SOUTH GATE
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 17,003	\$ 18,682	\$ 19,587	\$ 20,209	\$ 21,443	\$ 21,156	\$ 17,371	\$ 13,346	\$ 12,834	
8,035	7,736	7,831	10,261	10,564	11,054	12,878	13,347	14,186	
267	271	234	234	223	278	230	250	278	
2,907	2,368	2,342	2,264	1,995	2,032	1,980	2,031	2,228	
644	3,791	3,601	3,347	1,778	1,786	1,880	1,745	1,862	
2,446	6,160	4,924	3,345	3,356	3,366	2,704	2,638	2,487	
1,406	631	453	349	301	521	53	44	-	
8,905	2,203	(434)	871	-	-	-	-	-	
511	5,205	2,259	-	-	-	-	-	-	
951	702	466	(3,314)	1,322	532	378	2,081	832	
(1,117)	192	675	365	209	354	450	51	95	
-	-	-	-	-	-	26,432	-	-	
<u>41,958</u>	<u>47,941</u>	<u>41,938</u>	<u>37,931</u>	<u>41,191</u>	<u>41,079</u>	<u>64,356</u>	<u>35,533</u>	<u>34,802</u>	
335	-	663	74	270	255	242	142	118	
-	-	66	738	436	253	212	731	298	
1,117	(192)	(675)	(365)	(209)	(354)	(450)	(51)	(95)	
<u>1,452</u>	<u>(192)</u>	<u>54</u>	<u>447</u>	<u>497</u>	<u>154</u>	<u>4</u>	<u>822</u>	<u>321</u>	
\$ 43,410	\$ 47,749	\$ 41,992	\$ 38,378	\$ 41,688	\$ 41,233	\$ 64,360	\$ 36,355	\$ 35,123	

\$ 12,136	\$ 1,898	\$ 5,245	\$ (4,873)	\$ 2,426	\$ 13,912	\$ 30,944	\$ 4,951	\$ 8,434	
4,092	2,727	2,349	2,208	1,268	1,060	1,301	2,184	5,326	
<u>\$ 16,228</u>	<u>\$ 4,625</u>	<u>\$ 7,594</u>	<u>\$ (2,665)</u>	<u>\$ 3,694</u>	<u>\$ 14,972</u>	<u>\$ 32,245</u>	<u>\$ 7,135</u>	<u>\$ 13,760</u>	

General Revenues and Other Changes in Position

Governmental activities:
Taxes
Property taxes
Sales taxes
Transient occupancy taxes
Franchise taxes
Other taxes
Investment income
Motor vehicle in-lieu
Lawsuit settlements
Gain on sale of land
Miscellaneous
Transfers
Extraordinary gain/(loss) on dissolution of redevelopment agency
Total governmental activities
Business-type activities:
Investment income
Miscellaneous
Transfers
Total business-type activities
Total primary government

Change in Net Position

Governmental activities
Business-type activities
Total primary government

Source: The information is derived from the City's financial statements. The City implemented GASB 34. Information prior to the implementation of GASB 34 is not available.

CITY OF SOUTH GATE
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund										
Reserved	\$ 54,184	\$ 52,754	\$ 46,974	\$ 45,162	\$ 43,151	\$ 41,782	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	11,304	15,594	17,264	1,739	(132)	(45)	-	-	-	-
Nonspendable	-	-	-	-	-	-	39,714	38,089	36,768	36,339
Restricted	-	-	-	-	-	-	-	-	-	280
Committed	-	-	-	-	-	-	-	-	-	1,000
Assigned	-	-	-	-	-	-	-	-	-	134
Unassigned	-	-	-	-	-	-	4,716	7,216	11,136	12,691
Total general fund	\$ 65,488	\$ 68,348	\$ 64,238	\$ 46,901	\$ 43,019	\$ 41,737	\$ 44,430	\$ 45,305	\$ 47,904	\$ 50,444
All other governmental funds										
Reserved	\$ 8,239	\$ 9,088	\$ 13,567	\$ 19,005	\$ 10,721	\$ 11,272	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	12,049	14,596	13,483	11,216	12,923	10,411	-	-	-	-
Capital project funds	(1,153)	(2,311)	(7,520)	-	691	6,096	-	-	-	-
Debt service funds	(23,082)	(19,611)	(11,377)	(8,805)	(7,996)	(12,013)	-	-	-	-
Nonspendable	-	-	-	-	-	-	7,399	4,726	4,479	4,274
Restricted	-	-	-	-	-	-	-	-	-	-
Restricted, reported in:										
Special Revenue funds	-	-	-	-	-	-	16,089	13,147	14,557	15,041
Capital projects funds	-	-	-	-	-	-	4,228	916	750	655
Low and moderate housing activities	-	-	-	-	-	-	-	-	-	1,146
Unassigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Special Revenue funds	-	-	-	-	-	-	-	-	-	-
Special Revenue funds	-	-	-	-	-	-	(215)	(257)	(323)	(295)
Debt service funds	-	-	-	-	-	-	(11,962)	-	-	-
Total all other governmental funds	\$ (3,947)	\$ 1,762	\$ 8,153	\$ 21,416	\$ 16,339	\$ 15,766	\$ 15,539	\$ 18,532	\$ 19,463	\$ 20,821

Source: The information is derived from the City's financial statements.

CITY OF SOUTH GATE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Revenues</u>										
Taxes	\$ 21,612	\$ 28,620	\$ 31,612	\$ 33,009	\$ 33,822	\$ 37,547	\$ 36,329	\$ 33,956	\$ 30,855	\$ 31,279
Intergovernmental	25,329	15,365	16,452	20,006	25,013	19,777	23,812	21,378	20,733	23,835
Charges for service	4,757	4,794	5,248	2,977	2,881	5,342	5,357	5,213	5,672	5,708
Fines and forfeitures	2,027	2,354	3,152	2,916	4,301	2,530	2,660	2,940	2,135	2,915
Licenses and permits	906	1,116	1,480	1,663	1,438	1,073	963	1,030	1,025	1,468
Investment income	3,268	3,818	3,888	3,059	2,474	3,339	3,344	2,975	2,630	2,474
Lease income	-	-	1,291	2,730	2,353	-	-	-	-	-
Rental income	446	1,233	356	334	317	-	-	-	-	-
Lawsuit settlements	968	3,225	8,905	1,900	14	-	-	-	-	-
Other	396	1,477	1,584	3,377	3,028	1,459	577	1,345	2,137	841
Total revenues	59,709	62,002	73,968	71,971	75,641	71,067	73,042	68,837	65,187	68,520
<u>Expenditures</u>										
General government	4,069	5,218	4,787	6,139	6,213	5,347	5,259	5,436	5,154	4,889
Public works	9,677	7,874	7,742	17,956	24,662	7,642	7,130	7,708	8,250	8,602
Parks and recreation	3,972	4,298	3,828	4,267	4,407	4,237	4,022	4,355	4,616	4,890
Police	16,572	17,380	17,155	21,327	24,068	20,066	18,842	19,158	19,456	19,344
Community development	18,644	14,965	15,280	15,087	12,530	17,512	13,537	13,780	10,333	11,608
Capital Outlay	-	-	-	-	-	8,362	12,118	7,325	8,467	10,531
Debt service:										
Principal	3,334	3,307	3,049	3,365	3,683	4,355	4,648	4,569	2,799	2,686
Interest and fees	6,125	5,912	7,298	6,947	6,959	6,028	5,717	4,050	2,281	2,141
Bond issuance costs	1,095	836	-	-	-	-	-	-	-	-
Payment to bond escrow agent	2,647	850	-	-	-	-	-	-	-	-
Total expenditures	66,135	60,640	59,139	75,088	82,522	73,549	71,273	66,381	61,356	64,691
Excess of revenues over (under) expenditures	(6,426)	1,362	14,829	(3,117)	(6,881)	(2,482)	1,769	2,456	3,831	3,829

Source: The information is derived from the City's financial statements.

CITY OF SOUTH GATE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS, CONTINUED
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Other financing sources (uses)</u>										
Transfers in	\$ 7,298	\$ 7,984	\$ 15,456	\$ 30,046	\$ 13,443	\$ 14,822	\$ 15,871	\$ 5,509	\$ 8,053	\$ 10,067
Transfers out	(6,665)	(15,891)	(15,264)	(29,498)	(13,252)	(14,603)	(15,345)	(5,094)	(8,001)	(9,972)
Proceeds from sale of land	1,259	511	5,205	2,259	-	-	-	-	-	-
Write-offs	-	-	-	-	(3,461)	-	-	-	-	-
Pension contribution	(17,570)	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	407	171	-	-	-
Debt issued	24,400	1,425	-	-	-	-	-	-	-	-
Payment to bond escrow agent	(5,946)	-	-	-	-	-	-	-	-	-
Contributions to Successor Agency	-	-	-	-	-	-	-	-	(353)	-
Total other financing sources (uses)	2,776	(5,971)	5,397	2,807	(3,270)	626	697	415	(301)	95
Extraordinary gain/(loss) on dissolution of redevelopment agency	-	-	-	-	-	-	-	997	-	-
Net change in fund balances	\$ (3,650)	\$ (4,609)	\$ 20,226	\$ (310)	\$ (10,151)	\$ (1,856)	\$ 2,466	\$ 3,868	\$ 3,530	\$ 3,924
Debt service as a percentage of noncapital expenditures	24.9%	21.9%	21.2%	15.9%	14.8%	18.9%	21.2%	17.1%	10.6%	9.8%

Source: The information is derived from the City's financial statements.

CITY OF SOUTH GATE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

<u>Type of Tax</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Property tax	\$ 15,188	\$ 17,002	\$ 18,682	\$ 19,587	\$ 20,209	\$ 21,443	\$ 21,156	\$ 17,371	\$ 13,346	\$ 12,834
Sales and use tax	7,592	8,035	7,735	7,831	10,261	10,564	11,054	12,877	13,347	14,186
Transient occupancy tax	244	267	271	234	234	223	278	229	250	278
Franchise tax	1,903	2,907	2,367	2,342	2,264	1,995	2,032	1,979	2,031	2,228
Motor vehicle in-lieu	934	1,406	631	453	349	302	521	53	43	-
Total	\$ 25,861	\$ 29,617	\$ 29,686	\$ 30,447	\$ 33,317	\$ 34,527	\$ 35,041	\$ 32,509	\$ 29,017	\$ 29,526

Source: The information is derived from the City's financial statements.

City of South Gate
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

Agency	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Basic Levy *	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.01908	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502
Compton Community College District	0.00396	0.02051	0.01975	0.01766	0.01262	0.01296	0.01487	0.01481	0.01531	0.00963
County Detention Facilities 1987 Debt	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.06564	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603
LA Com Col Dist Ds 2008 2012 Series F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01119	0.00000
LA Community College District	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.0353	0.03756	0.04454
LA County Flood Control	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
LAUSD Meas K 2010 Series Ky	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00001	0.00001
Los Angeles Unified School District	0.08884	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819	0.17560	0.14644
Lynwood Unified School District	0.05731	0.04827	0.04317	0.04370	0.04498	0.04359	0.04945	0.05171	0.05059	0.12005
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Paramount Unified School District	0.05399	0.05038	0.04750	0.09928	0.10826	0.11336	0.08384	0.10343	0.10930	0.10457
Total Direct & Overlapping ** Tax Rates	1.31389	1.32528	1.32950	1.38367	1.38490	1.43274	1.47607	1.46221	1.50032	1.51979

City's Share of 1% Levy per Prop 13***

	0.06146	0.06146	0.06146	0.06146	0.06146	0.06146	0.06146	0.06146	0.06146	0.06146
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General Obligation Debt Rate

	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
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Redevelopment Rate****

	1.00711	1.00615	1.00549	1.00454	1.00436	1.00430	1.00370	1.00370	0.00000	0.00000
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Total Direct Rate*****

	0.25551	0.25797	0.24929	0.24713	0.24958	0.25616	0.25692	0.25454	0.25454	0.06078
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Notes:

*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

**Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

***City's Share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City.

****RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property tax values.

***** Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

City of South Gate
Assessed Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Type of Property</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	\$ 2,395,332	\$ 2,628,839	\$ 2,932,260	\$ 3,232,042	\$ 3,404,368	\$ 3,142,928	\$ 3,051,130	\$ 3,075,232	\$ 3,133,928	\$ 3,223,318
Commercial	347,632	371,753	395,226	444,779	478,313	479,417	472,304	478,978	485,760	495,030
Industrial	480,782	534,734	520,640	557,494	576,183	600,356	564,224	575,910	572,896	586,502
Other	366,494	366,926	411,216	391,475	433,948	442,176	444,219	429,336	434,580	432,613
Tax-Exempt	(49,756)	(45,336)	-	-	-	-	-	(59,538)	(54,662)	(48,602)
Total taxable A.V.	3,590,240	3,902,252	4,259,342	4,625,790	4,892,812	4,664,877	4,531,877	4,559,456	4,627,164	4,737,463
Total direct tax rate	0.25738%	0.25983%	0.24940%	0.24715%	0.24933%	0.24933%	0.25692%	0.25454%	0.26745%	0.26745%

Source: Los Angeles County Assessor

**City of South Gate
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)**

<u>Taxpayer</u>	2014			2005*		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Schultz Steel Company	\$ 102,960	1	2.17%	\$ 93,566	1	2.76%
EI Paseo South Gate LLC	54,625	2	1.15%	47,311	2	1.40%
Tesoro Logistics Operations LLC	44,771	3	0.95%			
South Gate Business & Industrial Park	31,034	4	0.66%	26,690	4	0.79%
Armstrong Cork Company	26,577	5	0.56%	15,161	10	0.45%
Hudd Distribution Services Inc.	25,433	6	0.54%	23,217	5	0.69%
World Oil Company	23,928	7	0.51%			
Atlantic Richfield Company	22,236	8	0.47%	205,309	7	6.06%
Rockview Dairies Inc.	20,683	9	0.44%	18,805	8	0.56%
Saputo Cheese USA Inc.	17,976	10	0.38%	32,601	3	0.96%
BP West Coast Products LLC				21,846	6	0.65%
Hon Industries Inc.				18,691	9	0.55%
Koos Manufacturing Inc.						
	<u>\$ 370,223</u>		<u>7.83%</u>	<u>\$ 503,197</u>		<u>14.87%</u>

* Data not available for previous year

Source: Los Angeles County Assessor and HdL Companies

**City of South Gate
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)**

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date (1)</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2014	\$ 2,297	\$ 2,511	109.32%	N/A	N/A	N/A
2013	2,242	2,540	113.29%	N/A	N/A	N/A
2012	2,228	2,290	102.78%	N/A	N/A	N/A
2011	2,207	2,290	103.76%	N/A	N/A	N/A
2010	2,272	2,280	100.35%	N/A	N/A	N/A
2009	2,396	2,201	91.86%	N/A	N/A	N/A
2008	2,258	2,168	96.01%	N/A	N/A	N/A
2007	2,049	1,952	95.27%	N/A	N/A	N/A
2006	1,866	1,827	97.91%	N/A	N/A	N/A
2005	1,718	1,676	97.56%	N/A	N/A	N/A

Source: Los Angeles County Assessor and City of South Gate Finance Department

(1)# Information is not available since the County of Los Angeles pools prior years taxes for remittance to the City.

City of South Gate
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except for per capita amounts)

Fiscal Year Ended June 30	Governmental Activities				Business Type Activities		Total Primary Gov't	% of Personal Income	Per Capita
	Revenue Bonds	Pension Obligation Bonds	Certificates of Participation	Assessment Bonds	Capital Leases	Notes/Loans			
2014	\$ -	\$ 19,425	\$ 14,395	\$ 30	\$ 582	\$ 2,720	\$ 42,491	N/A	\$ 829
2013	-	20,345	15,315	60	927	3,190	43,534	0.01%	877
2012	-	21,220	16,185	85	1,516	3,630	34,463	0.01%	817
2011	25,115	22,055	17,010	110	2,085	4,045	35,416	0.01%	1,118
2010	38,570	22,845	18,095	130	2,445	4,435	36,320	0.01%	1,205
2009	40,330	23,600	19,130	150	2,444	4,821	37,177	0.01%	1,247
2008	42,030	24,100	20,130	170	2,831	5,197	37,988	0.01%	1,298
2007	44,738	24,400	20,523	185	3,201	5,566	39,100	0.01%	1,360
2006	45,260	24,400	22,005	200	3,554	6,063	39,850	0.01%	1,396
2005	46,800	24,400	22,895	215	2,299	6,538	39,920	0.01%	1,410

Note: See the Schedule of Demographic and Economic Statistics for population and personal income data.

**City of South Gate
Direct & Overlapping Debt
June 30 2014**

	Gross Bonded Debt	Percent Applicable To City	Net Bonded Debt
<u>Direct Debt</u>			
264.01 2005 PENSION OBLIGATION BONDS	\$ 19,425,000	100.000	\$ 19,425,000
264.01 2002 SERIES A COPS	9,520,000	100.000	9,520,000
264.01 2002 SERIES B COPS	4,875,000	100.000	4,875,000
264.01 CAPITAL LEASE OBLIGATIONS	581,683	100.000	581,683
264.01 CLAIMS AND JUDGMENTS	1,898,877	100.000	1,898,877
264.01 COMPENSATED ABSENCES	3,443,547	100.000	3,443,547
264.01 LIMITED OBLIGATION BONDS	30,000	100.000	30,000
264.01 NOTES PAYABLE	2,720,000	100.000	2,720,000
264.01 OPEB	3,291,723	100.000	3,291,723
Total Direct Debt			45,785,830
<u>Overlapping Debt</u>			
*315.05 METROPOLITAN WATER DISTRICT	64,271,492	0.400	257,330
790.50 CERRITOS CC DS 2004 SERIES 2004A	1,890,000	1.195	22,589
790.51 CERRITOS CC DS 2005 REFUNDING BONDS	20,769,770	1.195	248,242
790.52 CERRITOS CC DS 2004 SERIES 2006	30,645,000	1.195	366,272
790.53 CERRITOS CC DS 2004 SERIES 2009C	50,985,000	1.195	609,378
790.54 CERRITOS CC DS 2004 SERIES 2012D	82,825,515	1.195	989,939
793.50 COMPTON CCD DS 2002 SERIES A	910,000	2.336	21,260
793.51 COMPTON CCD DS 2002 SERIES 2008A	13,435,000	2.336	313,870
793.52 COMPTON CCD DS 2002 SERIES 2012C	31,556,094	2.336	737,217
793.53 COMPTON CCD DS 2012 REF BONDS	31,245,000	2.336	729,949
805.55 LA CCD DS 2003 TAXABLE SERIES 2004B	74,235,000	0.624	463,031
805.56 LA CCD DS 2001 TAXABLE SERIES 2004A	8,850,000	0.624	55,201
805.57 LA CCD DS REFUNDING 2001 SERIES 2005A	403,320,000	0.624	2,515,653
805.58 LA CCD DS 2001, 2006 SERIES B	266,185,000	0.624	1,660,292
805.59 LA CCD DS 2003, 2006 SERIES C	381,585,000	0.624	2,380,084
805.60 LA CCD DS 2001, 2008 SER E-1	267,340,000	0.624	1,667,497
805.62 LA CCD DS 2003, 2008 SER F-1	341,565,000	0.624	2,130,465
805.64 LA CCD DS 2008, 2009 TAXABLE SER A	350,000,000	0.624	2,183,077
805.65 LA CCD DS 2008, 2009 TAXABLE SER B	75,000,000	0.624	467,802
805.66 LA CCD DS 2008, 2010 TAX SERIES D	219,889,950	0.624	1,371,533
805.67 LA CCD DS 2008, 2010 TAX SER E (BABS)	900,000,000	0.624	5,613,626
805.68 LA CCD DS 2008, 2010 SERIES C	177,885,060	0.624	1,109,534
805.70 LA CCD DS 2013 REF BONDS	54,480,000	0.624	339,812
805.71 LA CCD DS 2008 SERIES G	220,000,000	0.624	1,372,220
853.53 DOWNEY USD DS REFUNDING 1999 SERIES A	5,655,256	4.575	258,718
853.58 DOWNEY USD DS 2002 SERIES C	2,900,000	4.575	132,670
853.59 DOWNEY USD DS 2006 REFUNDING BONDS	8,320,000	4.575	380,625
853.60 DOWNEY USD DS 2007 REF BDS	19,685,000	4.575	900,554
853.61 DOWNEY USD DS 2011 REFUNDING BONDS	10,900,000	4.575	498,656
853.62 DOWNEY USD DS 2012 REF BONDS	17,620,000	4.575	806,084
887.51 LOS ANGELES UNIF DS 1997 SERIES A	33,980,000	0.774	263,095
887.56 LOS ANGELES UNIF DS 2002 REF BOND	137,600,000	0.774	1,065,389
887.61 LOS ANGELES UNIF DS 2004 SERIES C 2004	1,690,000	0.774	13,085
887.63 LOS ANGELES UNIF DS 2004 REF BONDS A-1	115,000	0.774	890
887.64 LOS ANGELES UNIF DS 2004 REF BONDS A-2	255,000	0.774	1,974
887.65 LOS ANGELES UNIF DS 2004 SERIES E	23,465,000	0.774	181,681
887.66 LOS ANGELES UNIF DS 2005 REF BONDS A-1	345,980,000	0.774	2,678,802

**City of South Gate
Direct & Overlapping Debt
June 30 2014**

	Gross Bonded Debt	Percent Applicable To City	Net Bonded Debt
<u>Overlapping Debt (Continued)</u>			
887.67 LOS ANGELES UNIF DS 2005 REF BONDS A-2	120,925,000	0.774	936,280
887.68 LOS ANGELES UNIF DS 2004 SERIES F	89,700,000	0.774	694,516
887.69 LOS ANGELES UNIF DS 2006 REFUNDING SERIES	555,695,000	0.774	4,302,551
887.70 LOS ANGELES UNIF DS 2005 SERIES A (2006)	144,275,000	0.775	1,117,568
887.71 LOS ANGELES UNIF DS 2005 SERIES B (2006)	53,705,000	0.774	415,819
887.72 LOS ANGELES UNIF DS 2005 SERIES C (2006)	273,925,000	0.774	2,120,905
887.73 LOS ANGELES UNIF DS 2005 SERIES D (2006)	459,175,000	0.774	3,555,231
887.75 LOS ANGELES UNIF DS 2006 REF BDS SER B	1,126,445,000	0.774	8,721,668
887.76 LOS ANGELES UNIF DS 2007 REF BDS SER A-1	136,055,000	0.774	1,053,426
887.77 LOS ANGELES UNIF DS 2007 REF BDS SER A-2	24,650,000	0.774	190,856
887.78 LOS ANGELES UNIF DS 2002 SERIES B (2007)	847,340,000	0.774	6,560,656
887.79 LOS ANGELES UNIF DS 2007 REF BDS SER B	47,350,000	0.774	366,614
887.80 LOS ANGELES UNIF DS 2002 SERIES C	106,535,000	0.774	824,863
887.81 LOS ANGELES UNIF DS 2004 SERIES H	432,865,000	0.774	3,351,522
887.82 LOS ANGELES UNIF DS 2005 SERIES E	120,160,000	0.774	930,357
887.89 LOS ANGELES UNIF DS 2005 SERIES H	608,995,000	0.774	4,715,235
887.90 LAUSD 2009 REFUNDING MEASURE R BONDS	55,715,000	0.774	431,382
887.92 LAUSD MEASURE R SERIES KRY BABS	200,000,000	0.774	1,548,530
887.93 LAUSD MEASURE Y 2009 SERIES KRY BABS	363,005,000	0.774	2,810,620
887.94 LOS ANGELES UNIF DS 2009 REFUNDING PROP	399,955,000	0.774	3,096,711
887.98 LAUSD MEASURE R 2010 SERIES RY BABS	806,795,000	0.774	6,246,731
887.99 LAUSD MEASURE Y 2010 SERIES RY BABS	1,250,585,000	0.774	9,682,841
888.52 LAUSD 2010 REFUNDING SERIES A (MEASURE K)	156,000,000	0.774	1,207,853
888.57 LOS ANGELES UNIF DS 2011 REFUNDING BOND	1,622,200,000	0.774	12,560,125
891.50 LYNWOOD USD DS 2002 SERIES A	1,884,801	0.852	16,051
891.51 LYNWOOD USD DS 2012 REF BONDS	14,620,000	0.852	124,503
891.52 LYNWOOD USD DS 2012 SERIES A	16,500,000	0.852	140,513
907.50 PARAMOUNT USD DS 2005 REFUNDING BOND	15,615,000	7.631	1,191,510
907.51 PARAMOUNT USD DS 1998 SERIES B	2,739,256	7.776	212,991
907.52 PARAMOUNT USD DS 2006 SERIES 2007	31,870,720	7.631	2,431,911
907.53 PARAMOUNT USD DS 2006, SERIES 2011 BONDS	33,854,316	7.631	2,583,270
907.54 PARAMOUNT USD DS 2006 2013 SERIES C	33,953,515	7.631	2,590,840
Total Overlapping Debt			<u>121,542,545</u>
Total Direct and Overlapping Debt			<u>\$ 167,328,375</u>

2013/14 Assessed Valuation: \$3,699,103,582 After Deducting \$1,038,359,520 Incremental value.

Debt To Assessed Valuation Ratios:	Direct Debt	1.24%
	Overlapping Debt	3.29%
	Total Debt	4.52%

*This fund is a portion of a larger agency, and is responsible for debt in areas outside the city.

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the city.

Data Source: HdL Coren & Cone, L. A. County Assessor and Auditor Combined 2013/14 Lien Date Tax Rolls
This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL. Coren & Cone

City of South Gate
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$ 545,999	\$ 592,138	\$ 638,902	\$ 693,869	\$ 733,922	\$ 711,913	\$ 686,435	\$ 697,223	\$ 708,842	\$ 728,496
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	545,999	592,138	638,902	693,869	733,922	711,913	686,435	697,223	708,842	728,496
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2012-2013:

Assessed value	\$ 4,797,052
Add back: exempt real property	59,589
Total assessed value	<u>\$ 4,856,641</u>
Debt limit (15% of total assessed value)	\$ 728,496
Debt applicable to limit:	-
Legal debt margin	<u>\$ 728,496</u>

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

**CITY OF SOUTH GATE
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

2001 Utility Revenue Bonds

Fiscal Year	Utility Charges and Other	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2014	\$ 18,768,203	\$ 14,001,196	\$ 4,767,007	\$ 1,385,000	\$ -	\$ 1,385,000	344.19%
2013	16,545,601	14,702,276	1,843,325	145,000	1,208,125	1,353,125	136.23%
2012	14,283,260	13,033,967	1,249,293	145,000	1,214,433	1,359,433	91.90%
2011	13,269,476	12,521,003	748,473	145,000	1,219,689	1,364,689	54.85%
2010	13,085,428	12,261,588	823,840	135,000	1,231,308	1,366,308	60.30%
2009	13,691,423	11,705,770	1,985,653	135,000	1,231,308	1,366,308	145.33%
2008	14,045,439	11,661,277	2,384,162	125,000	1,232,558	1,357,558	175.62%
2007	13,573,051	9,506,725	4,066,326	125,000	1,238,495	1,363,495	298.23%
2006	12,170,524	8,509,674	3,660,850	125,000	1,241,683	1,366,683	267.86%
2005	11,906,979	7,617,421	4,289,558	120,000	1,244,443	1,364,443	314.38%

2012 Water Revenue Bonds

Fiscal Year	Utility Charges and Other	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2014	\$ 17,254,964	\$ 12,410,604	\$ 4,844,360	\$ 60,000	\$ 1,543,675	\$ 1,603,675	302.08%
2013	\$ 15,060,800	\$ 13,206,151	\$ 1,854,649	\$ -	\$ -	\$ -	N/A

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

**City of South Gate
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2014	96,057	N/A	N/A	33,221	10.1%
2013	95,115	\$ 1,358,150	\$ 14,139	34,478	13.0%
2012	94,320	1,327,805	13,960	34,045	13.0%
2011	94,666	1,317,273	13,966	33,612	15.2%
2010	101,914	1,329,570	13,046	30,320	16.0%
2009	102,388	1,286,554	12,565	35,848	14.8%
2008	102,061	1,311,858	12,854	35,659	9.6%
2007	101,247	1,292,067	12,762	35,457	6.6%
2006	101,260	1,251,875	12,363	34,643	6.2%
2005	101,439	1,193,256	11,763	33,844	6.9%

Sources:

- (1) State of California - Department of Finance
- (2) Bureau of Economic Analysis - reflects latest data available for Los Angeles Metro region
- (3) Local School Districts
- (4) California Employment Development Department/U.S. Dept. of Labor - Bureau of Labor Statistics

City of South Gate
Full-Time Equivalent City Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Manager	8.00	4.00	5.00	5.00	5.00	3.50	6.10	5.00	5.00	5.00
City Attorney	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Treasurer (1)	-	-	-	-	-	-	-	-	-	-
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00
Personnel	5.00	5.00	5.00	5.00	5.00	3.40	2.90	4.00	4.00	4.00
Finance	30.00	24.00	24.00	24.00	23.00	22.90	21.00	18.00	20.00	20.00
Police										
Officers	97.00	91.00	91.00	95.00	93.00	99.00	80.00	80.00	82.00	82.00
Civilians	41.00	44.00	49.00	48.00	40.00	34.00	37.00	37.00	37.00	39.00
Public Works										
Administration/Engineering	15.00	9.00	9.00	8.00	8.00	8.00	7.00	8.00	8.00	8.00
Maintenance	53.00	50.00	48.00	48.00	47.00	43.15	36.15	35.00	37.00	37.00
Water/Sewer	19.00	18.00	22.00	22.00	22.00	25.85	28.85	19.00	26.00	27.00
Parks & Recreation	52.00	40.00	40.00	40.00	39.00	39.50	33.00	30.00	35.00	38.00
Community Development	35.00	35.00	35.00	35.00	33.00	33.00	28.00	22.00	26.00	25.00
Sub-Total	359.00	324.00	332.00	334.00	319.00	316.30	284.00	262.00	284.00	290.00
Part-Time Hours	120,657	130,154	128,569	122,836	121,464	85,368	100,378	125,070	109,385	114,095
Full-Time Equivalents	58.01	62.57	61.81	59.06	58.40	41.04	48.25	60.13	52.59	54.85
TOTAL POSITIONS	417.01	386.57	393.81	393.06	377.40	357.34	332.25	322.13	336.59	344.85

(1) Effective 2005-06 the City Treasurer position was combined with the Finance Department.

Source: City of South Gate Finance Department

**City of South Gate
Operating Indicators by Function
Last Ten Fiscal Years**

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Calls for service	45,154	43,750	41,941	42,884	43,224	39,670	36,329	36,250	37,129	35,528
Arrests	4,348	4,767	4,085	3,627	3,060	2,468	2,468	2,226	2,288	2,559
Parking citations issued	20,681	22,528	22,564	12,616	16,770	23,339	22,512	20,491	13,809	24,146
Moving citations/traffic violations	16,982	14,449	13,697	13,525	11,858	8,035	18,344	14,111	4,289	3,676
Value of assets seized (in thousands)	296	3,643	41,989	6,742	24,300	15,000	8,613	9,100	7,200	10,957
Water										
Customer accounts	15,418	15,283	15,293	15,136	14,906	15,570	15,578	14,350	15,445	15,445
Average daily consumption (millions of gallons)	5.9	7.8	7.6	7.0	7.2	7.1	8.0	7.4	7.5	7.5
Water samples taken	1,478	1,478	1,576	1,647	1,602	2,892	2,306	2,111	2,240	2,240
New connections	18	7	15	21	27	8	8	5	9	9
140 Street Maintenance										
Potholes repaired	382	319	753	687	504	476	211	135	206	1,215
Sq.ft of graffiti removal (in thousands)	1,882	1,768	2,750	1,856	2,154	845	700	700	700	1,000
Miles of streets swept	29,847	30,016	31,223	28,809	29,287	32,583	30,180	33,543	32,760	32,760
Culture and Recreation										
Golf course participants	11,925	11,084	10,801	9,942	4,851	8,879	7,750	7,780	6,934	6,238
Swimming participants	52,149	22,742	73,132	45,472	2,969	37,159	73,113	85,685	95,265	88,280
Facility rentals	1,270	1,612	1,770	2,959	1,129	921	1,265	1,360	1,078	1,115
Recreation classes provided	700	696	1,283	1,021	216	160	1,060	207	311	568
Community Development										
Permits issued	9,707	10,246	9,625	9,309	8,154	4,588	4,796	4,599	4,459	3,377
Code enforcement inspections	9,599	4,959	7,741	7,586	7,135	5,879	6,879	6,506	5,554	6,893
Housing vouchers issued	97	100	71	126	111	63	51	54	36	35

Source: Various City Departments

**City of South Gate
Capital Asset Statistics by Function
Last Ten Fiscal Years**

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police	2	2	2	2	1	1	1	1	1	1
Patrol Units	40	40	40	40	40	37	37	37	37	37
Water	135	135	135	135	135	135	135	135	135	135
Miles of lines and mains	10	11	11	11	14	12	12	12	11	11
Number of wells	2	2	2	2	2	2	2	2	2	2
Number of tanks	5	5	5	5	5	5	5	5	5	5
Number of reservoirs										
Sewer	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8
Miles of sewers	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Miles of storm drains										
Streets	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8
Miles of streets	63	63	63	63	77	77	77	77	86	83
Traffic signals	3,936	3,936	3,936	3,936	3,936	3,936	3,936	3,936	4,400	4,400
Streetlights										
Culture and Recreation	8	8	8	8	8	8	8	8	8	8
Parks	171	171	179	179	182	182	182	182	182	182
Park acreage	7	7	8	8	8	8	8	8	8	8
Playgrounds	16	16	16	16	16	16	16	16	16	16
Ballfields	1	1	1	1	1	1	1	1	1	1
Swimming pools	7	7	7	7	7	7	7	7	7	7
Community Centers										

Source: Various City Departments

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