

CITY OF SOUTH GATE CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

CITY OF SOUTH GATE, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY:
ADMINISTRATIVE SERVICES DEPARTMENT

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2015

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City of South Gate

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

December 28, 2015

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, 2015, 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, rests 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 units 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 library and fire protection services) most all 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 96,547 in 2015. 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 I-710 (Long Beach) and I-105 (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 Vice Mayor. The City Council is responsible for, among other things, 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 Vice Mayor 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 \$4.8 million favorable budget variance in general fund revenues and an unfavorable \$5.6 million budget variance in general fund expenditures, resulting in a net \$805 thousand unfavorable budget variance in the general fund balance for the fiscal year ended June 30, 2015. Overall increases in general fund revenues came as a result of a \$2.9 million (9.6%) positive budget to actual variance in tax revenues, which is comprised mainly of the following increases: sales and use tax of \$1.6 million (10.4%), vehicle license fee in-lieu of property taxes of \$485 thousand (6.2%), business license tax of \$203 thousand (16.9%), and residual tax increment from ABx1 26 of \$285 thousand. Another \$1.7 million positive budget to actual variance came from unexpected one-time revenues in loan repayments, cost reimbursements and insurance recoveries. With the exception of a \$13.4 million more than budgeted variance due to the payoff of the 2002 Certificates of Participation principal balance, all other expenditure variances are favorable across 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 2014-15.

Significant Financial Events

During the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to Measurement Date – an Amendment of GASB Statement No. 68*. These financial policies, which require the recognition of the entire net pension liability and a more comprehensive measure of pension expense, resulted in a significant recognition of net pension liability of \$47.8 million in governmental activities and \$2.7 million in business-type activities on the June 30, 2015, 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 is 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. When over \$500,000 from Federal financial assistance programs is expended, 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, 2015, \$8,804,688 from Federal financial assistance programs was expended.

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, 2014. This was the third 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.

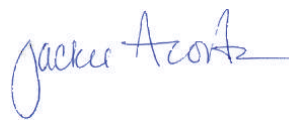
Acknowledgements

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Administrative Services Department staff. We would like to express our appreciation to all members of the 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

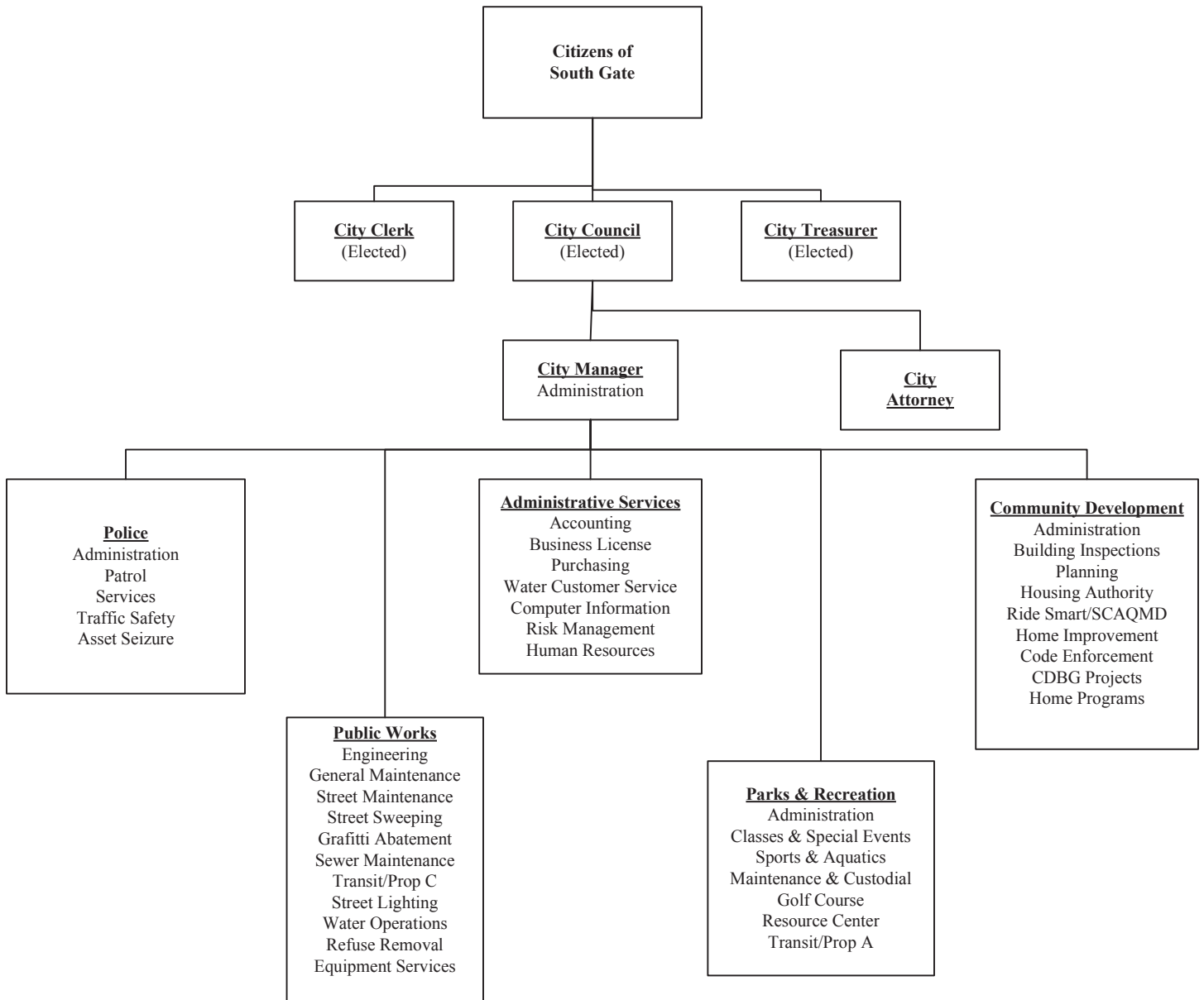


Jackie Acosta
Director of Administrative Services

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

Mayor	Jorge Morales
Vice Mayor	W. H. (Bill) De Witt
Councilmember	Maria Davila
Councilmember	Gil Hurtado
Councilmember	Maria Belen Bernal
City Clerk	Carmen Avalos
City Treasurer	Greg Martinez
City Manager	Michael Flad
City Attorney	Raul Salinas
Chief of Police	Randy Davis
Director of Administrative Services	Jackie Acosta
Interim Director of Community Development	Paul Adams
Acting Director of Parks and Recreation	Steve Costley
Director of Public Works	Arturo Cervantes

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, 2014

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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund, Housing Authority Fund, Home Program Fund, the schedules of changes in net pension liability and related ratios, the schedules of contributions, and the schedule of proportionate share of the net pension liability 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.



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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, 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.

Brea, California
December 28, 2015

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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, 2015. 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, 2015, by \$222,504,825. This amount represents a decrease from the previous fiscal year of \$51,058,214, mainly due to the recognition of net pension liability of \$50.5 million recorded for the first time in accordance with GASB Statement No. 68.
- As of June 30, 2015, the City's governmental activities reported combined ending net position of \$208,166,177, a decrease of \$54.3 million from the prior fiscal year. This decrease is also the result of the increase in long-term pension liability due to GASB 68.
- The City's business activities reported a combined ending net position of \$14,338,648, an improvement of \$3,267,436 from the previous fiscal year. The increase is due to a positive net income offset by the increase in GASB 68 pension liability.
- As of June 30, 2015, the unassigned fund balance in the General Fund is \$19,146,335. The General Fund reported expenditures in excess of revenues of \$8,144,219 before other financing sources and uses. This is due to the payoff of principal balances of the 2002 Certificates of Participation.
- The Capital Improvements Capital Project Fund reports a fund balance of \$857,593, an increase of \$25,563 over the prior fiscal year, due to increased funding sources to pay for various projects completed during the fiscal year.
- The City continues to address the growing unfunded pension liability. The City developed a five year forecast model in order to facilitate discussions with its City Council on ways to address concerns such as these over the next several years. With the implementation of GASB 68 to recognize its total pension liability, the City can now use the information to facilitate discussions and make informed decisions.

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 reports 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 are comprised of three components: 1) government-wide financial statements,

2) fund financial statements, and 3) notes to the financial statements. This comprehensive annual financial 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 (including deferred outflows of resources) and liabilities (including deferred inflows of resources), with the difference between them 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 South Gate Housing Authority 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* basis 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 basic 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 comprehensive annual financial report also presents certain *required supplementary information*, providing budgetary comparison schedules for budgeted vs. actual revenues and expenditures of 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 exceed liabilities and deferred inflows of resources by \$222,504,825 at June 30, 2015, as shown in Table 1.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 87,766,849	\$ 93,880,565	\$ 20,443,949	\$ 14,250,030	\$ 108,210,798	\$ 108,130,595
Capital assets	225,578,681	227,285,824	43,963,091	44,824,133	269,541,772	272,109,957
Total assets	313,345,530	321,166,389	64,407,040	59,074,163	377,752,570	380,240,552
Deferred Outflows	4,362,476	330,835	471,473	251,259	4,833,949	582,094
Total Deferred Outflows of Resources	4,362,476	330,835	471,473	251,259	4,833,949	582,094
Long-term debt outstandi	86,567,952	52,390,154	45,553,601	44,135,769	132,121,553	96,525,923
Other liabilities	6,590,677	6,615,243	4,046,161	4,118,441	10,636,838	10,733,684
Total liabilities	93,158,629	59,005,397	49,599,762	48,254,210	142,758,391	107,259,607
Deferred Inflows	16,383,200	-	940,103	-	17,323,303	-
Total Deferred Inflows of Resources	16,383,200	-	940,103	-	17,323,303	-
Net assets:						
Invested in net capital ass	225,810,904	227,259,039	43,963,091	44,824,133	269,773,995	272,083,172
Restricted	22,311,616	21,357,417	8,557,511	14,491,948	30,869,127	35,849,365
Unrestricted	(39,956,343)	13,875,371	(38,181,954)	(48,244,869)	(78,138,297)	(34,369,498)
Total net position	\$ 208,166,177	\$ 262,491,827	\$ 14,338,648	\$ 11,071,212	\$ 222,504,825	\$ 273,563,039

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) of \$269.3 million; 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. Another portion of the City's net position, \$30.9 million, represents resources that are subject to external restrictions in how they may be used. The remaining negative balance of \$78.1 million resulted from the increase of long-term liabilities, namely net pension liabilities recorded for the first time in accordance with GASB 68.

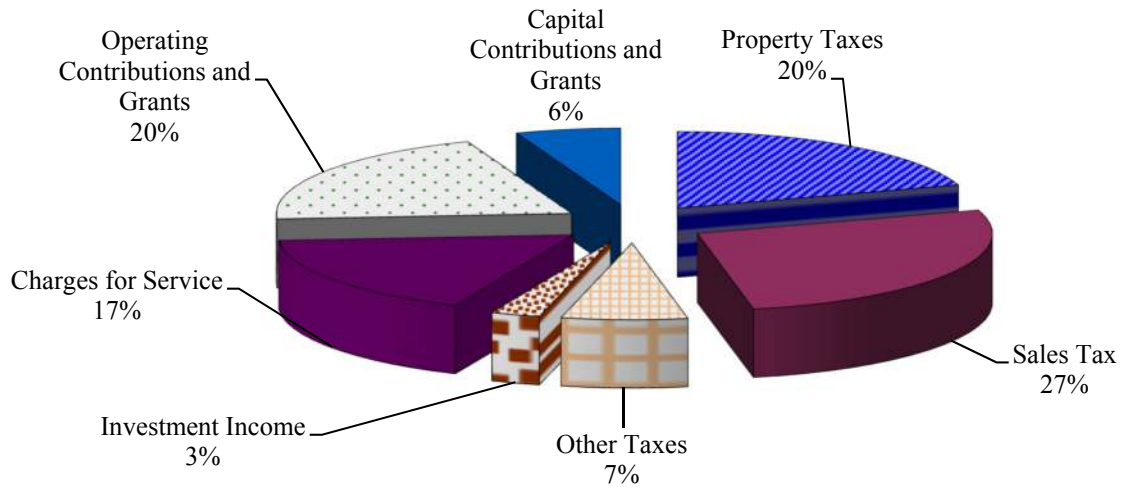
Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 11,473,226	\$ 12,713,990	\$ 23,380,378	\$ 22,441,203	\$ 34,853,604	\$ 35,155,193
Operating grants/contril	13,526,669	16,363,083	56,813	63,838	13,583,482	16,426,921
Capital contributions/gr	3,810,943	4,695,557	-	-	3,810,943	4,695,557
General revenues:						
Property taxes	13,301,353	12,834,122	-	-	13,301,353	12,834,122
Sales taxes	17,838,350	14,185,579	-	-	17,838,350	14,185,579
Other taxes	4,558,805	4,367,445	-	-	4,558,805	4,367,445
Investment income	1,783,985	2,487,048	127,470	117,855	1,911,455	2,604,903
Other revenue	1,580,402	832,278	531,874	298,100	2,112,276	1,130,378
Total revenues	67,873,733	68,479,102	24,096,535	22,920,996	91,970,268	91,400,098
Program expenses						
General government	6,830,379	4,648,447	-	-	6,830,379	4,648,447
Public works	15,752,563	15,987,601	-	-	15,752,563	15,987,601
Parks and recreation	6,155,032	5,454,058	-	-	6,155,032	5,454,058
Police	21,434,946	20,250,952	-	-	21,434,946	20,250,952
Community development	10,542,358	11,651,356	-	-	10,542,358	11,651,356
Interest expense	1,711,468	2,147,521	-	-	1,711,468	2,147,521
Sewer	-	-	1,543,112	1,590,592	1,543,112	1,590,592
Water	-	-	12,394,186	12,410,604	12,394,186	12,410,604
Refuse	-	-	3,432,887	3,498,673	3,432,887	3,498,673
Total expenses	62,426,746	60,139,935	17,370,185	17,499,869	79,796,931	77,639,804
Increase in net assets before	5,446,987	8,339,167	6,726,350	5,421,127	12,173,337	13,760,294
Transfers	-	94,895	-	(94,895)	-	-
Increase in net position	5,446,987	8,434,062	6,726,350	5,326,232	12,173,337	13,760,294
Beginning net position	262,491,827	254,057,765	11,071,212	5,744,980	273,563,039	259,802,745
Restatement of net position	(59,772,637)	-	(3,458,914)	-	(63,231,551)	-
Ending net position	\$ 208,166,177	\$262,491,827	\$ 14,338,648	\$ 11,071,212	\$ 222,504,825	\$ 273,563,039

Governmental Activities. The Net Position of Governmental Activities increased by \$5,446,987. This is primarily the result of improvements in the local economy due to the azalea regional shopping center development, one-time 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 loan repayments. Although revenues exceed expenses by \$5.4 million, revenues decreased by .88% over the prior year amount because increases in sales tax revenues and one-time revenues are offset by the decreases in operating grants and contributions. Program expenses increased by 3.8% as a result of increases in public safety and general government services.

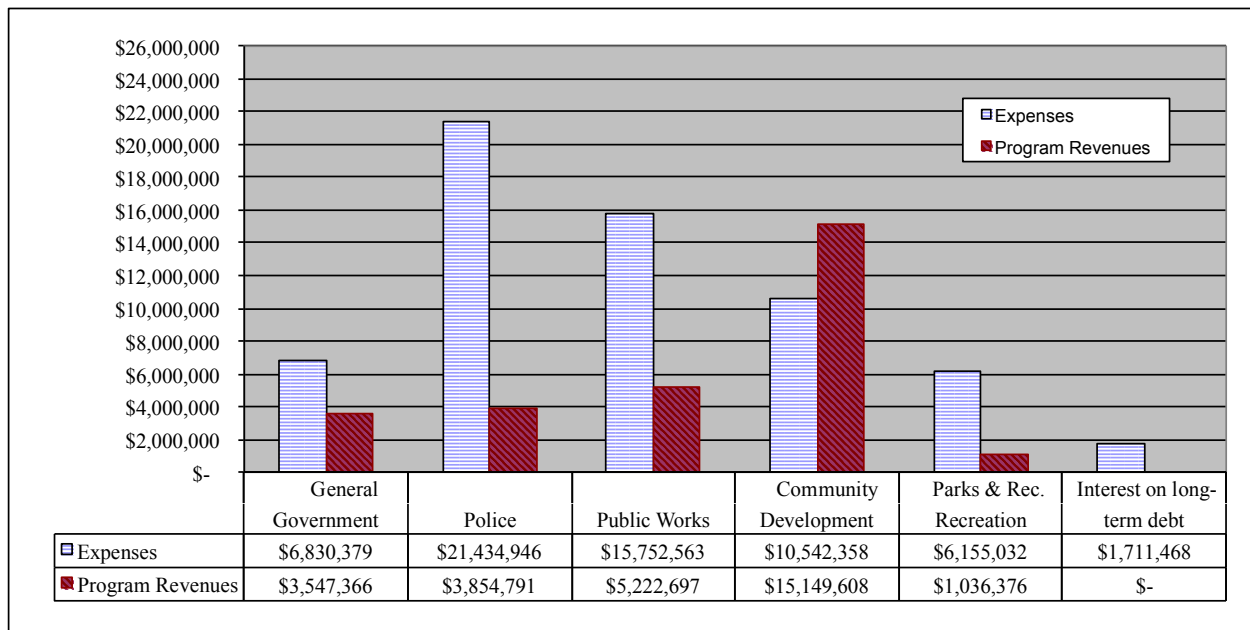
The City of South Gate relies heavily on federal, state and local grant funds as a major funding source (20%) for capital projects. Sales tax (27%), property taxes (20%) and charges for services (17%) remain the most significant portion of the Governmental Activities revenue stream.

Revenues by Source – Governmental Activities



The cost of all Governmental activities this year was \$62,426,746. Of this amount, \$11,473,226 was paid for by those who directly benefited from programs provided, \$17,337,612 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$33,615,908 was financed through general taxes and other revenues.

Expenses and Program Revenues – Governmental Activities



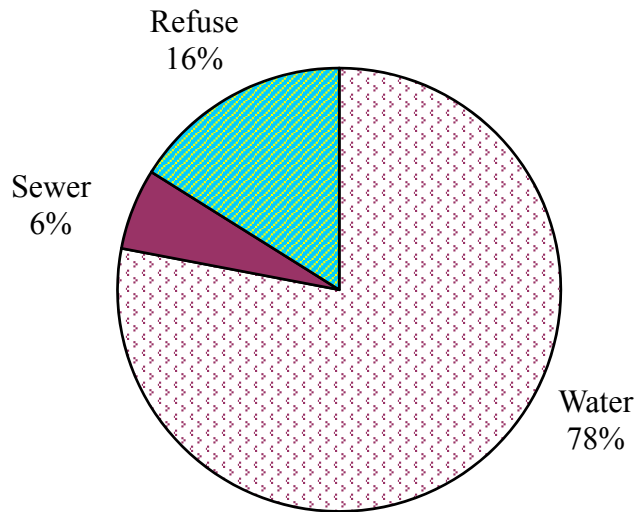
The City's largest expense is the Police Department, whose operations totaled \$21.4 million in 2015. Public Works followed with \$15.8 million of expenses, which included expenses related to several large capital improvement projects. Community Development was the third largest in expenses, at \$10.5 million, which includes Federal Housing and Urban Development (HUD) funds.

Business-Type Activities. During the year ended June 30, 2015, 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 \$6,726,350.

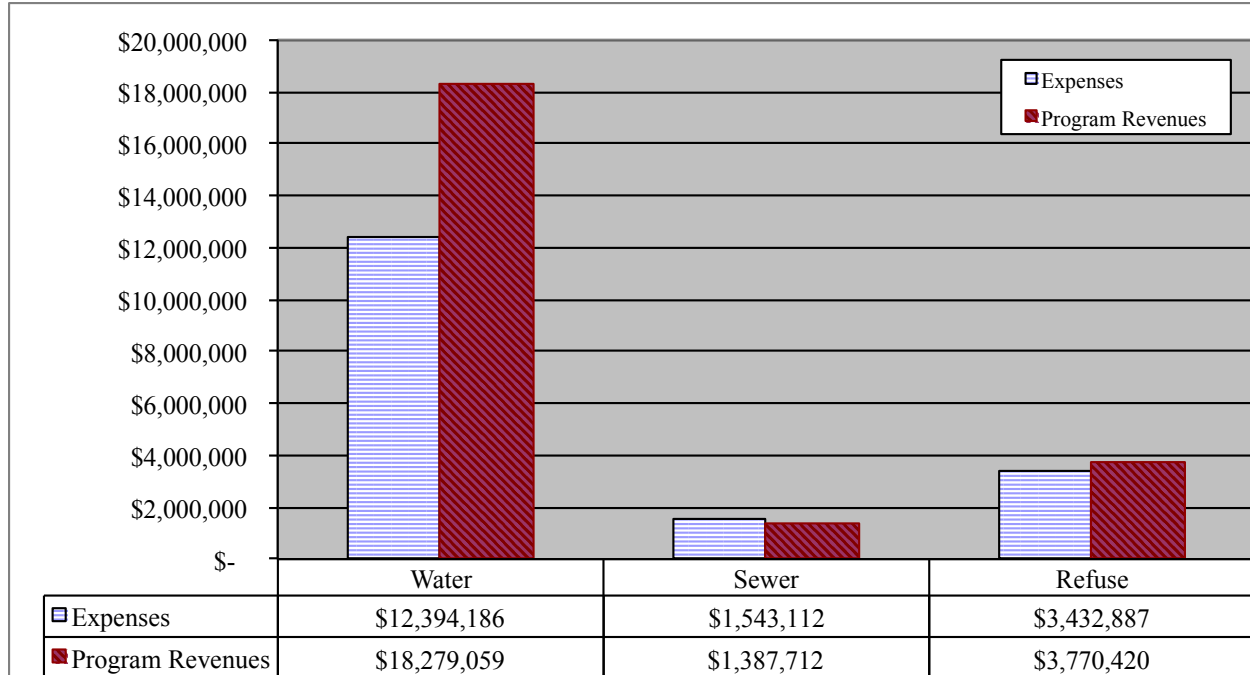
These business-type activities consisted of the water, sewer and refuse utilities. The cost of providing all business-type activities this year was \$17,370,185. The revenue paid by users of these utilities was \$23,380,378. When capital improvements are made, the assets are capitalized, and no expense 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 increase in charges for services revenues 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, 2015, the City's governmental funds reported combined ending fund balances of \$63,768,392, a decrease of \$7,495,899 in comparison with the prior year. Of that amount, \$18,158,085 constitutes *nonspendable* fund balance. Of the remaining \$45,610,307 *spendable* fund balance, \$18,483,739 is *restricted* because it is subject to external enforceable legal obligations, \$5,000,000 is *committed* for emergency reserves, the courthouse rehabilitation and to create a Capital Asset Replacement Fund, \$3,452,047 has been *assigned* by management for specific purposes, and \$18,674,521 is *unassigned* and can be spent at the City's discretion. 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 general fund balance was \$42,319,151, a decrease of \$8,124,256 in comparison with the prior year. The unassigned, spendable fund balance totaled \$19,146,335.

This net decrease of \$8,124,256 was a result of expenditures and other financing uses exceeding operating revenues and other financing sources. Although the fiscal year reported increases to sales and use tax revenues and various one-time revenues in loan repayments, cost

reimbursements, settlements and recoveries, they were offset by increases in debt service payments of the 2002 Certificate of Participation and capital improvement projects.

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 \$857,593 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 Community Development Block Grant, Gas Tax, Asset Seizure, Proposition A and C Local Returns, Measure R, Street Lighting and Landscaping, and various other 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 fiscal year end, the combined net position of these funds totaled \$14,338,648, an increase of \$3,267,436 from the prior year. This increase is a net result of revenues exceeding expenses by \$6,726,350 less a \$3,458,914 adjustment to the prior year net position as a result of the initial implementation of GASB Statement No. 68 requiring the recognition of net pension liability. Resources used for the construction of capital facilities do not result in expenses because the assets are capitalized.

The internal service funds are considered non-major. The net position at fiscal year end totaled negative \$1,275,073, a decrease of \$2,167,643 from the prior fiscal year due to an overall increase in expenses and restatement of the beginning net position as a result of the initial implementation of GASB Statement No. 68.

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.

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, 2015, the City's net investment in capital assets for governmental activities totaled \$225,810,904 and net investment in capital assets in business-type activities totaled \$43,963,091. Governmental capital assets decreased by \$1,707,143 and business-type capital assets decreased by \$861,042.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Structures & improvements	\$ 15,387,499	\$ 16,157,655	\$ 3,020,305	\$ 3,100,218	\$ 18,407,804	\$ 19,257,873
Machinery and equipment	2,427,988	1,727,865	2,998,010	2,984,281	5,425,998	4,712,146
Infrastructure	196,925,644	183,910,709	-	-	196,925,644	183,910,709
Utility distribution system	-	-	32,479,189	33,791,456	32,479,189	33,791,456
Land	3,738,993	3,738,993	1,290,602	1,290,602	5,029,595	5,029,595
Construction in progress	7,098,557	21,750,602	2,241,841	1,724,432	9,340,398	23,475,034
Water rights	-	-	1,933,144	1,933,144	1,933,144	1,933,144
Total	\$ 225,578,681	\$ 227,285,824	\$ 43,963,091	\$ 44,824,133	\$ 269,541,772	\$ 269,847,003

Additional information on the City's capital assets can be found in Note 7 of the Notes to the Basic Financial Statements of this report.

Long-Term Debt. At the end of the fiscal year, the City of South Gate had total long-term outstanding debt of \$132,121,553. This amount represents an increase over the prior year of \$35,595,630 due to these main factors: the increase of net pension liability of \$50.5 million recorded for the first time in accordance with GASB Statement No. 68, the retirement of \$17.5 million of debt, and an increase of \$1.4 million in claims and judgments.

City of South Gate Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$ 42,540,123	\$ 43,838,592	\$ 42,540,123	\$ 43,838,592
Certificates of participation	-	14,395,000	-	-	-	14,395,000
Pension obligation bonds	18,460,000	19,425,000	-	-	18,460,000	19,425,000
Limited obligation bonds	-	30,000	-	-	-	30,000
Capital lease obligations	220,695	581,683	-	-	220,695	581,683
Notes/Loans payable	2,220,000	2,720,000	-	-	2,220,000	2,720,000
Claims and judgments	8,791,047	7,383,329	-	-	8,791,047	7,383,329
Other post employment benefits	4,309,132	3,827,242	-	-	4,309,132	3,827,242
Compensated absences	4,783,202	4,027,900	288,298	297,177	5,071,500	4,325,077
Net Pension Liability	47,783,876	-	2,725,180	-	50,509,056	-
Total	\$86,567,952	\$52,390,154	\$45,553,601	\$44,135,769	\$132,121,553	\$96,525,923

Additional information on the City's long-term debt can be found in Note 8 of the Notes to the Basic Financial Statements of this report.

Economic Factors and Next Year's Budget

During the fiscal year, the City's spendable, unassigned fund balance in the General Fund increased to \$19,146,335. The FY 2014-15 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 costs.

When preparing the City's budget for fiscal year 2015-16, the following assumptions were made:

- Most revenues are expected to grow by 3% to 4% in FY 2015-16.
- CalPERS costs will go up significantly over the next 5 years, with the increase to the FY 2015-16 budget expected to be approximately \$1.1 million.
- Contract negotiations with all bargaining units would potentially result in pay increases to employees; however, the amount of those increases were not known and not included in the adopted budget.

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, please contact Jackie Acosta, Director of Administrative Services, by phone at (323) 563-9524, or by mail at 8650 California Avenue, South Gate, California 90280.

CITY OF SOUTH GATE

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 51,755,656	\$ 20,392,832	\$ 72,148,488
Receivables:			
Accounts	690,954	3,899,185	4,590,139
Notes and loans	7,601,559	-	7,601,559
Accrued interest	55,714	14,985	70,699
Settlement	76,712	-	76,712
Internal balances	10,705,028	(10,705,028)	-
Advance to Successor Agency	4,820,868	-	4,820,868
Prepaid costs	62,430	6,727	69,157
Prepaid bonds insurance	-	317,994	317,994
Due from other governments	8,775,131	-	8,775,131
Inventories	124,372	-	124,372
Land held for resale	2,395,000	-	2,395,000
Restricted assets:			
Cash with fiscal agent	703,425	6,517,254	7,220,679
Capital assets not being depreciated	10,837,550	5,465,587	16,303,137
Capital assets, net of depreciation	214,741,131	38,497,504	253,238,635
Total Assets	313,345,530	64,407,040	377,752,570
Deferred Outflows of Resources:			
Deferred charge on refunding	-	219,852	219,852
Deferred pension related items	4,362,476	251,621	4,614,097
Total Deferred Outflows of Resources	4,362,476	471,473	4,833,949
Liabilities:			
Accounts payable	3,908,511	1,197,547	5,106,058
Accrued liabilities	1,309,677	108,054	1,417,731
Retention payable	138,508	59,447	197,955
Accrued interest	103,589	384,663	488,252
Unearned revenue	331,509	63,563	395,072
Deposits payable	796,763	2,232,887	3,029,650
Due to other governments	2,120	-	2,120
Noncurrent liabilities:			
Due within one year	5,037,614	1,740,958	6,778,572
Due in more than one year	29,437,330	41,087,463	70,524,793
Net pension liability	47,783,876	2,725,180	50,509,056
Other post-employment benefits	4,309,132	-	4,309,132
Total Liabilities	93,158,629	49,599,762	142,758,391
Deferred Inflows of Resources:			
Deferred pension related items	16,383,200	940,103	17,323,303
Total Deferred Inflows of Resources	16,383,200	940,103	17,323,303
Net Position:			
Net investment in capital assets	225,357,986	43,963,091	269,321,077
Restricted for:			
Community development projects	8,356,403	-	8,356,403
Public safety	4,093,990	-	4,093,990
Public works	8,613,069	-	8,613,069
Capital projects	857,593	2,040,257	2,897,850
Debt service	390,561	6,517,254	6,907,815
Unrestricted	(39,503,425)	(38,181,954)	(77,685,379)
Total Net Position	\$ 208,166,177	\$ 14,338,648	\$ 222,504,825

CITY OF SOUTH GATE

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 6,830,379	\$ 3,105,296	\$ 442,070	\$ -
Public safety	21,434,946	3,262,454	592,337	-
Community development	10,542,358	2,888,308	12,261,300	-
Parks and recreation	6,155,032	985,535	50,841	-
Public works	15,752,563	1,231,633	180,121	3,810,943
Interest on long-term debt	1,711,468	-	-	-
Total Governmental Activities	62,426,746	11,473,226	13,526,669	3,810,943
Business-Type Activities:				
Utility Authority Water Fund	12,394,186	18,279,059	-	-
Utility Authority Sewer Fund	1,543,112	1,387,712	-	-
Refuse Removal	3,432,887	3,713,607	56,813	-
Total Business-Type Activities	17,370,185	23,380,378	56,813	-
Total Primary Government	\$ 79,796,931	\$ 34,853,604	\$ 13,583,482	\$ 3,810,943

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (3,283,013)	\$ -	\$ (3,283,013)
(17,580,155)	-	(17,580,155)
4,607,250	-	4,607,250
(5,118,656)	-	(5,118,656)
(10,529,866)	-	(10,529,866)
(1,711,468)	-	(1,711,468)
(33,615,908)	-	(33,615,908)
-	5,884,873	5,884,873
-	(155,400)	(155,400)
-	337,533	337,533
-	6,067,006	6,067,006
(33,615,908)	6,067,006	(27,548,902)
13,301,353	-	13,301,353
266,555	-	266,555
17,838,350	-	17,838,350
2,286,717	-	2,286,717
1,397,565	-	1,397,565
607,968	-	607,968
42,135	-	42,135
1,783,985	127,470	1,911,455
1,538,267	531,874	2,070,141
39,062,895	659,344	39,722,239
5,446,987	6,726,350	12,173,337
262,491,827	11,071,212	273,563,039
(59,772,637)	(3,458,914)	(63,231,551)
\$ 208,166,177	\$ 14,338,648	\$ 222,504,825

CITY OF SOUTH GATE

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

Special Revenue Funds

	<u>General</u>	<u>Housing Authority</u>	<u>Home Program</u>	<u>Housing Successor</u>
Assets:				
Cash and investments	\$ 22,988,670	\$ 937,072	\$ -	\$ 115,524
Receivables:				
Accounts	542,649	7,078	-	818
Notes and loans	17,433	14,415	4,243,405	629,329
Accrued interest	36,141	258	-	164
Settlement	76,712	-	-	-
Prepaid costs	32,507	-	-	-
Due from other governments	3,967,451	10,618	138,481	-
Due from other funds	4,189,637	-	-	-
Advances to other funds	10,705,028	-	-	-
Advances to Successor Agency	3,450,868	-	-	-
Inventories	124,372	-	-	-
Land held for resale	-	2,135,000	-	260,000
Restricted assets:				
Cash and investments with fiscal agents	447,361	-	-	-
Total Assets	\$ 46,578,829	\$ 3,104,441	\$ 4,381,886	\$ 1,005,835
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,078,783	\$ 28,614	\$ 11,267	\$ 1,838
Accrued liabilities	1,118,294	18,125	3,164	-
Retentions payable	-	-	-	-
Unearned revenues	-	-	20	-
Deposits payable	660,145	-	-	2,200
Due to other governments	2,120	-	-	-
Due to other funds	-	65,923	124,030	-
Total Liabilities	2,859,342	112,662	138,481	4,038
Deferred Inflows of Resources:				
Unavailable revenues	1,400,336	-	4,243,405	603,450
Total Deferred Inflows of Resources	1,400,336	-	4,243,405	603,450
Fund Balances:				
Nonspendable:				
Inventory	124,372	-	-	-
Prepaid costs	32,507	-	-	-
Deposits	-	-	-	-
Notes and loans	17,433	14,415	-	25,879
Land held for resale	-	2,135,000	-	260,000
Advances to other funds	10,705,028	-	-	-
Advances to Successor Agency	3,450,868	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital projects	-	-	-	-
Debt service	390,561	-	-	-
Low and moderate housing activities	-	842,364	-	112,468
Committed to:				
Emergency reserve	2,000,000	-	-	-
Courthouse rehabilitation	1,000,000	-	-	-
Capital assets replacement	2,000,000	-	-	-
Assigned to:				
Parks and recreation	221,047	-	-	-
Public works	115,000	-	-	-
Capital Projects	3,116,000	-	-	-
Unassigned	19,146,335	-	-	-
Total Fund Balances	42,319,151	2,991,779	-	398,347
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 46,578,829	\$ 3,104,441	\$ 4,381,886	\$ 1,005,835

CITY OF SOUTH GATE

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Capital Projects Fund		Other Governmental Funds		Total Governmental Funds
	Capital Improvement Fund		Other Governmental Funds		Total Governmental Funds
Assets:					
Cash and investments	\$ 2,933,735		\$ 16,268,000		\$ 43,243,001
Receivables:					
Accounts	-		140,409		690,954
Notes and loans	-		2,696,977		7,601,559
Accrued interest	-		13,369		49,932
Settlement	-		-		76,712
Prepaid costs	-		22,583		55,090
Due from other governments	-		4,658,581		8,775,131
Due from other funds	-		-		4,189,637
Advances to other funds	-		-		10,705,028
Advances to Successor Agency	-		1,370,000		4,820,868
Inventories	-		-		124,372
Land held for resale	-		-		2,395,000
Restricted assets:					
Cash and investments with fiscal agents	256,064		-		703,425
Total Assets	\$ 3,189,799		\$ 25,169,919		\$ 83,430,709
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 1,869,280		\$ 779,455		\$ 3,769,237
Accrued liabilities	-		137,513		1,277,096
Retentions payable	138,508		-		138,508
Unearned revenues	-		331,489		331,509
Deposits payable	134,418		-		796,763
Due to other governments	-		-		2,120
Due to other funds	-		4,042,130		4,232,083
Total Liabilities	2,142,206		5,290,587		10,547,316
Deferred Inflows of Resources:					
Unavailable revenues	190,000		2,677,810		9,115,001
Total Deferred Inflows of Resources	190,000		2,677,810		9,115,001
Fund Balances:					
Nonspendable:					
Inventory	-		-		124,372
Prepaid costs	-		22,583		55,090
Deposits	-		-		-
Notes and loans	-		-		57,727
Land held for resale	-		-		2,395,000
Advances to other funds	-		-		10,705,028
Advances to Successor Agency	-		1,370,000		4,820,868
Restricted for:					
Community development projects	-		3,573,694		3,573,694
Public safety	-		4,093,990		4,093,990
Public works	-		8,613,069		8,613,069
Capital projects	857,593		-		857,593
Debt service	-		-		390,561
Low and moderate housing activities	-		-		954,832
Committed to:					
Emergency reserve	-		-		2,000,000
Courthouse rehabilitation	-		-		1,000,000
Capital assets replacement	-		-		2,000,000
Assigned to:					
Parks and recreation	-		-		221,047
Public works	-		-		115,000
Capital Projects	-		-		3,116,000
Unassigned	-		(471,814)		18,674,521
Total Fund Balances	857,593		17,201,522		63,768,392
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,189,799		\$ 25,169,919		\$ 83,430,709

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CITY OF SOUTH GATE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances of governmental funds		\$ 63,768,392
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.		225,125,763
Deferred outflows of resources related to pensions include the following:		
Pension contributions subsequent to measurement date	\$ 3,717,631	
Adjustment due to difference in proportions	<u>546,567</u>	4,264,198
Long-term debt are not due and payable in the current period and, therefore, are not reported in the governmental fund activity:		
Pension Obligation Bonds		(18,460,000)
Notes and loans payable		(2,220,000)
Capital lease obligations		(220,694)
Compensated Absences		(4,783,203)
Deferred inflows of resources related to pensions include the following:		
Net difference between projected and actual earnings on pension plan investments	(14,482,552)	
Adjustment due to difference in proportions	<u>(1,533,462)</u>	(16,016,014)
Governmental funds report all pension contributions as expenditures, however, in the statement of net position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability.		(46,719,472)
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.		(4,309,132)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(103,589)
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.		9,115,001
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>(1,275,073)</u>
Net Position of governmental activities		<u>\$ 208,166,177</u>

CITY OF SOUTH GATE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	General	Housing Authority	Home Program	Housing Successor
Revenues:				
Taxes	\$ 32,954,518	\$ -	\$ -	\$ 82,148
Licenses and permits	1,321,639	-	-	-
Intergovernmental	783,760	4,293,578	509,356	-
Charges for services	5,062,325	-	-	-
Use of money and property	1,564,758	988	-	14,144
Fines and forfeitures	1,066,113	-	-	-
Miscellaneous	1,696,667	7,213	-	-
Total Revenues	44,449,780	4,301,779	509,356	96,292
Expenditures:				
Current:				
General government	5,499,430	-	-	-
Public safety	19,070,489	-	-	-
Community development	2,235,517	4,580,467	553,421	9,788
Parks and recreation	5,592,992	-	-	-
Public works	2,897,575	-	-	-
Capital outlay	197,821	-	-	-
Debt service:				
Principal retirement	15,615,581	-	-	-
Interest and fiscal charges	1,484,594	-	-	-
Total Expenditures	52,593,999	4,580,467	553,421	9,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,144,219)	(278,688)	(44,065)	86,504
Other Financing Sources (Uses):				
Transfers in	174,068	-	44,065	-
Transfers out	(154,105)	-	-	-
Total Other Financing Sources (Uses)	19,963	-	44,065	-
Net Change in Fund Balances	(8,124,256)	(278,688)	-	86,504
Fund Balances, Beginning of Year	50,443,407	3,270,467	-	311,843
Fund Balances, End of Year	\$ 42,319,151	\$ 2,991,779	\$ -	\$ 398,347

CITY OF SOUTH GATE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ -	\$ 2,028,615	\$ 35,065,281
Licenses and permits	-	-	1,321,639
Intergovernmental	79,078	13,254,583	18,920,355
Charges for services	-	905,370	5,967,695
Use of money and property	-	188,251	1,768,141
Fines and forfeitures	-	1,410,455	2,476,568
Miscellaneous	-	98,117	1,801,997
Total Revenues	79,078	17,885,391	67,321,676
Expenditures:			
Current:			
General government	-	69,147	5,568,577
Public safety	-	1,359,422	20,429,911
Community development	-	3,153,593	10,532,786
Parks and recreation	-	-	5,592,992
Public works	-	4,866,195	7,763,770
Capital outlay	5,267,921	1,600,212	7,065,954
Debt service:			
Principal retirement	-	635,407	16,250,988
Interest and fiscal charges	-	128,003	1,612,597
Total Expenditures	5,267,921	11,811,979	74,817,575
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,188,843)	6,073,412	(7,495,899)
Other Financing Sources (Uses):			
Transfers in	5,214,406	628,499	6,061,038
Transfers out	-	(5,906,933)	(6,061,038)
Total Other Financing Sources (Uses)	5,214,406	(5,278,434)	-
Net Change in Fund Balances	25,563	794,978	(7,495,899)
Fund Balances, Beginning of Year	832,030	16,406,544	71,264,291
Fund Balances, End of Year	\$ 857,593	\$ 17,201,522	\$ 63,768,392

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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, 2015**

Net change in fund balances - total governmental funds \$ (7,495,899)

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	\$ 6,396,928	
Depreciation	<u>(8,038,885)</u>	(1,641,957)

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	995,000	
Certificates of participation	14,395,000	
Capital leases	360,989	
Notes	500,000	
Deferred charges on refunding amortization	<u>(330,835)</u>	15,920,154

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 231,963

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. (755,303)

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. (481,890)

Pension obligation 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. (49,637)

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. 536,213

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. (816,657)

Change in net position of governmental activities \$ 5,446,987

CITY OF SOUTH GATE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Utility Authority Water Fund	Utility Authority Sewer Fund	Other Enterprise Funds Refuse Sewer Fund
Assets:			
Current:			
Cash and investments	\$ 18,369,204	\$ 1,668,500	\$ 355,128
Receivables:			
Accounts	2,981,241	252,689	665,255
Accrued interest	13,509	1,355	121
Prepaid costs	6,727	-	-
Prepaid bond insurance	317,994	-	-
Due from other funds	-	-	-
Restricted:			
Cash with fiscal agent	6,517,254	-	-
Total Current Assets	28,205,929	1,922,544	1,020,504
Noncurrent:			
Capital assets - net of accumulated depreciation	24,940,275	19,022,816	-
Total Noncurrent Assets	24,940,275	19,022,816	-
Total Assets	53,146,204	20,945,360	1,020,504
Deferred Outflows of Resources:			
Deferred charge on refunding	219,852	-	-
Deferred outflows of resources - pension plan	195,367	56,254	-
Total Deferred Outflows of Resources	415,219	56,254	-
Liabilities:			
Current:			
Accounts payable	883,272	24,845	289,430
Accrued liabilities	85,816	22,238	-
Accrued interest	384,663	-	-
Unearned revenues	-	-	63,563
Deposits payable	2,232,887	-	-
Retentions payable	59,447	-	-
Accrued compensated absences	122,068	18,890	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	1,600,000	-	-
Total Current Liabilities	5,368,153	65,973	352,993
Noncurrent:			
Advances from other funds	10,705,028	-	-
Accrued compensated absences	85,578	61,762	-
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	40,940,123	-	-
Net pension liability	2,115,925	609,255	-
Total Noncurrent Liabilities	53,846,654	671,017	-
Total Liabilities	59,214,807	736,990	352,993
Deferred Inflows of Resources:			
Deferred inflows of resources - pension plan	729,929	210,174	-
Total Deferred Inflows of Resources	729,929	210,174	-
Net Position:			
Net investment in capital assets	24,940,275	19,022,816	-
Restricted for capital projects	2,040,257	-	-
Restricted for debt service	6,517,254	-	-
Unrestricted	(39,881,099)	1,031,634	667,511
Total Net Position	\$ (6,383,313)	\$ 20,054,450	\$ 667,511

CITY OF SOUTH GATE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Assets:		
Current:		
Cash and investments	\$ 20,392,832	\$ 8,512,655
Receivables:		
Accounts	3,899,185	-
Accrued interest	14,985	5,782
Prepaid costs	6,727	7,340
Prepaid bond insurance	317,994	-
Due from other funds	-	42,446
Restricted:		
Cash with fiscal agent	6,517,254	-
Total Current Assets	31,148,977	8,568,223
Noncurrent:		
Capital assets - net of accumulated depreciation	43,963,091	452,918
Total Noncurrent Assets	43,963,091	452,918
Total Assets	75,112,068	9,021,141
Deferred Outflows of Resources:		
Deferred charge on refunding	219,852	-
Deferred outflows of resources - pension plan	251,621	98,278
Total Deferred Outflows of Resources	471,473	98,278
Liabilities:		
Current:		
Accounts payable	1,197,547	139,274
Accrued liabilities	108,054	32,581
Accrued interest	384,663	-
Unearned revenues	63,563	-
Deposits payable	2,232,887	-
Retentions payable	59,447	-
Accrued compensated absences	140,958	-
Accrued claims and judgments	-	1,760,000
Bonds, notes, and capital leases	1,600,000	-
Total Current Liabilities	5,787,119	1,931,855
Noncurrent:		
Advances from other funds	10,705,028	-
Accrued compensated absences	147,340	-
Accrued claims and judgments	-	7,031,047
Bonds, notes, and capital leases	40,940,123	-
Net pension liability	2,725,180	1,064,404
Total Noncurrent Liabilities	54,517,671	8,095,451
Total Liabilities	60,304,790	10,027,306
Deferred Inflows of Resources:		
Deferred inflows of resources - pension plan	940,103	367,186
Total Deferred Inflows of Resources	940,103	367,186
Net Position:		
Net investment in capital assets	43,963,091	452,918
Restricted for capital projects	2,040,257	-
Restricted for debt service	6,517,254	-
Unrestricted	(38,181,954)	(1,727,991)
Total Net Position	\$ 14,338,648	\$ (1,275,073)

CITY OF SOUTH GATE

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Utility Authority	Utility Authority	Other Enterprise
	Water Fund	Sewer Fund	Funds
			Refuse Sewer
			Fund
Operating Revenues:			
Sales and service charges	\$ 18,279,059	\$ 1,387,712	\$ 3,713,607
Interdepartmental charges	-	-	-
Miscellaneous	529,092	952	1,830
Total Operating Revenues	18,808,151	1,388,664	3,715,437
Operating Expenses:			
Personnel services	2,024,402	541,552	-
Utilities	2,827,191	1,482	3,372,709
Contractual services	483,930	108,108	-
Administrative services	2,771,092	261,614	-
Repair and maintenance	149,856	24,167	-
Supplies	362,840	23,763	60,178
Insurance	-	-	-
Claims expense	-	-	-
Depreciation expense	1,080,537	582,426	-
Total Operating Expenses	9,699,848	1,543,112	3,432,887
Operating Income (Loss)	9,108,303	(154,448)	282,550
Nonoperating Revenues (Expenses):			
Intergovernmental	-	-	56,813
Interest revenue	123,427	3,712	331
Interest expense	(2,694,338)	-	-
Total Nonoperating Revenues (Expenses)	(2,570,911)	3,712	57,144
Income (Loss) Before Transfers	6,537,392	(150,736)	339,694
Transfers in	203,595	-	-
Transfers out	-	(203,595)	-
Changes in Net Position	\$ 6,740,987	\$ (354,331)	\$ 339,694
Net Position:			
Beginning of year	\$ (10,438,678)	\$ 21,182,073	\$ 327,817
Restatements	(2,685,622)	(773,292)	-
Beginning of year, as restated	(13,124,300)	20,408,781	327,817
Changes in net position	6,740,987	(354,331)	339,694
End of Fiscal Year	\$ (6,383,313)	\$ 20,054,450	\$ 667,511

CITY OF SOUTH GATE

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenues:		
Sales and service charges	\$ 23,380,378	\$ -
Interdepartmental charges	-	5,619,512
Miscellaneous	531,874	53,299
Total Operating Revenues	23,912,252	5,672,811
Operating Expenses:		
Personnel services	2,565,954	817,529
Utilities	6,201,382	-
Contractual services	592,038	309,211
Administrative services	3,032,706	257,374
Repair and maintenance	174,023	57,380
Supplies	446,781	673,317
Insurance	-	1,548,383
Claims expense	-	2,736,152
Depreciation expense	1,662,963	105,966
Total Operating Expenses	14,675,847	6,505,312
Operating Income (Loss)	9,236,405	(832,501)
Nonoperating Revenues (Expenses):		
Intergovernmental	56,813	-
Interest revenue	127,470	15,844
Interest expense	(2,694,338)	-
Total Nonoperating Revenues (Expenses)	(2,510,055)	15,844
Income (Loss) Before Transfers	6,726,350	(816,657)
Transfers in	203,595	-
Transfers out	(203,595)	-
Changes in Net Position	<u>\$ 6,726,350</u>	<u>\$ (816,657)</u>
Net Position:		
Beginning of year	\$ 11,071,212	\$ 892,570
Restatements	(3,458,914)	(1,350,986)
Beginning of year, as restated	7,612,298	(458,416)
Changes in net position	6,726,350	(816,657)
End of Fiscal Year	\$ 14,338,648	\$ (1,275,073)

CITY OF SOUTH GATE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
			Other Enterprise Funds
	Utility Authority Water Fund	Utility Authority Sewer Fund	Refuse Sewer Fund
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 19,298,324	\$ 1,458,196	\$ 3,667,175
Cash received from/interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(3,951,584)	(189,385)	(3,456,028)
Cash paid to employees for services	(2,134,164)	(820,736)	-
Net Cash Provided (Used) by Operating Activities	13,212,576	448,075	211,147
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	203,595	-	-
Cash transfers out	-	(203,595)	-
Repayment made to other funds	(7,631,218)	-	-
Grants subsidy	-	-	81,879
Net Cash Provided (Used) by Non-Capital Financing Activities	(7,427,623)	(203,595)	81,879
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(774,578)	(27,343)	-
Principal paid on capital debt	(1,595,000)	-	-
Interest paid on capital debt	(5,037,568)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,407,146)	(27,343)	-
Cash Flows from Investing Activities:			
Interest received	116,801	3,234	210
Net Cash Provided (Used) by Investing Activities	116,801	3,234	210
Net Increase (Decrease) in Cash and Cash Equivalents	(1,505,392)	220,371	293,236
Cash and Cash Equivalents at Beginning of Year	26,391,850	1,448,129	61,892
Cash and Cash Equivalents at End of Year	\$ 24,886,458	\$ 1,668,500	\$ 355,128

CITY OF SOUTH GATE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Utility Authority Water Fund	Utility Authority Sewer Fund	Other Enterprise Funds
			Refuse Sewer Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 9,108,303	\$ (154,448)	\$ 282,550
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,080,537	582,426	-
(Increase) decrease in accounts receivable	368,830	69,532	(18,416)
(Increase) decrease in prepaid costs	(6,727)	-	-
(Increase) decrease in deferred outflows of resources - pension plan	(195,367)	(56,254)	-
Increase (decrease) in accounts payable	(127,580)	(31,865)	(23,141)
Increase (decrease) in accrued liabilities	8,494	3,775	-
Increase (decrease) in unearned revenue	-	-	(29,846)
Increase (decrease) in deposits payable	121,343	-	-
Increase (decrease) in retentions payable	6,540	-	-
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	2,349	(11,228)	-
Increase (decrease) in net pension liability	2,115,925	(164,037)	-
Increase (decrease) in deferred inflows of resources - pension plan	729,929	210,174	-
Total Adjustments	4,104,273	602,523	(71,403)
Net Cash Provided (Used) by Operating Activities	\$ 13,212,576	\$ 448,075	\$ 211,147
Non-Cash Investing, Capital, and Financing Activities:			
Increase in accreted interest payable	\$ 355,100	\$ -	\$ -
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, 2015

	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 24,423,695	\$ -
Cash received from/interfund service provided	-	5,672,811
Cash paid to suppliers for goods and services	(7,596,997)	(3,893,289)
Cash paid to employees for services	(2,954,900)	(1,088,036)
Net Cash Provided (Used) by Operating Activities	<u>13,871,798</u>	<u>691,486</u>
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	203,595	-
Cash transfers out	(203,595)	-
Repayment made to other funds	(7,631,218)	(4,252)
Grants subsidy	81,879	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(7,549,339)</u>	<u>(4,252)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(801,921)	(40,780)
Principal paid on capital debt	(1,595,000)	-
Interest paid on capital debt	(5,037,568)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,434,489)</u>	<u>(40,780)</u>
Cash Flows from Investing Activities:		
Interest received	120,245	13,668
Net Cash Provided (Used) by Investing Activities	<u>120,245</u>	<u>13,668</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(991,785)</u>	<u>660,122</u>
Cash and Cash Equivalents at Beginning of Year	27,901,871	7,852,533
Cash and Cash Equivalents at End of Year	<u>\$ 26,910,086</u>	<u>\$ 8,512,655</u>

CITY OF SOUTH GATE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 9,236,405	\$ (832,501)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	1,662,963	105,966
(Increase) decrease in accounts receivable	419,946	-
(Increase) decrease in prepaid costs	(6,727)	(1,386)
(Increase) decrease in deferred outflows of resources - pension plan	(251,621)	(98,278)
Increase (decrease) in accounts payable	(182,586)	24,822
Increase (decrease) in accrued liabilities	12,269	4,541
Increase (decrease) in unearned revenue	(29,846)	-
Increase (decrease) in deposits payable	121,343	-
Increase (decrease) in retentions payable	6,540	-
Increase (decrease) in claims and judgments	-	1,407,718
Increase (decrease) in compensated absences	(8,879)	-
Increase (decrease) in net pension liability	1,951,888	(286,582)
Increase (decrease) in deferred inflows of resources - pension plan	940,103	367,186
Total Adjustments	4,635,393	1,523,987
Net Cash Provided (Used) by Operating Activities	\$ 13,871,798	\$ 691,486
Non-Cash Investing, Capital, and Financing Activities:		
Increase in accreted interest payable	\$ 355,100	\$ -
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, 2015

	Agency Funds	Private- Purpose Trust Fund Successor Agency of the Former Community Development Commission
Assets:		
Cash and investments	\$ 510,943	\$ 1,532,841
Receivables:		
Notes and loans	-	710,210
Prepaid bond insurance	-	162,274
Due from other governments	-	2,121
Land held for resale	-	1,463,492
Restricted assets:		
Cash and investments with fiscal agents	-	3,465,508
Capital assets:		
Capital assets, not being depreciated	-	1,686,000
Capital assets, net of accumulated depreciation	-	217,938
Total Assets	\$ 510,943	9,240,384
Liabilities:		
Accounts payable	\$ 4,288	\$ 36,029
Accrued interest	-	518,726
Deposits payable	506,655	50,036
Due to other governments	-	173,769
Long-term liabilities:		
Due in one year	-	4,499,467
Due in more than one year	-	37,928,097
Total Liabilities	\$ 510,943	43,206,124
Net Position:		
Held in trust for other purposes		(33,965,740)
Total Net Position		\$ (33,965,740)

CITY OF SOUTH GATE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Private- Purpose Trust Fund</u>
	<u>Successor Agency of the Former Community Development Commission</u>
Additions:	
Taxes	\$ 4,191,018
Interest and change in fair value of investments	66,132
Total Additions	<u>4,257,150</u>
Deductions:	
Administrative expenses	304,308
Contractual services	90,054
Interest expense	951,984
Depreciation expense	19,089
Total Deductions	<u>1,365,435</u>
Changes in Net Position	2,891,715
Net Position	
Beginning of the year	<u>(36,857,455)</u>
End of the Year	<u>\$ (33,965,740)</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 basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The following blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with the data of the City. They are reported as blended for the following reasons: (1) the governing board is substantively the same as the primary government and there is a financial benefit or burden relationship between the primary government and the component unit; (2) the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; and (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government. 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 prepaid costs in the Statement of Net Position relates to payments to vendors for costs applicable to future accounting periods in the amount of \$69,157.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2015, 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for pension contributions made after the actuarial measurement date which will be expensed in the following year and for actuarial adjustments due to the proportionate share of the contributions made to the pension liability which will be amortized over the expected average remaining service life time. The government also reports deferred outflows for charges on debt refunding. 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 the Governmental Fund Balance Sheet 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 and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available. In addition, the government has deferred inflows of resources relating to the net pension obligation reported in the government-wide statement of net position and the proprietary funds. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized over a five year period on a straight-line basis.

8. Net Pension Liability

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

9. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2015, 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.

10. 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.

11. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

12. 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 is 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.”

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.

13. Effect of New Accounting Standards

During the fiscal year ended June 30, 2015, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27 will improve the decision-usefulness of information in local government employer entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a local government employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 2: Cash and Investments

As of June 30, 2015, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 52,459,081
Business-type activities	26,910,086
Fiduciary funds	<u>5,509,292</u>
Total cash and investments	<u>\$ 84,878,459</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, 2015, the carrying amount of the City's deposits was \$8,192,351 and the bank balance was \$8,173,526. The \$18,825 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.

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.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 2: Cash and Investments (Continued)

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

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

Note 2: Cash and Investments (Continued)

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. Investment in government agencies issued by the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Agricultural Mortgage Corporation and the Federal Farm Credit Banks were rated "Aaa" by Moody's and "AA+" by Standard & Poor's. Asset-Backed Securities were rated "Aaa" by Moody's and "AAA" by Standard & Poor's. As of June 30, 2015, 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, 2015, 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 or bank issuer. With respect to concentration risk, as of June 30, 2015, the City is in compliance with its investment policy.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 2: Cash and Investments (Continued)

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, 2015, the City had the following investments and original maturities:

Investment Type	Remaining Investment Maturities				Totals
	6 Months or Less	6 Months to 1 Year	1 to 3 Years	5 or More Years	
Local agency investment fund	\$ 50,383,324	\$ -	\$ -	\$ -	\$ 50,383,324
Certificates of deposits	4,200,000	-	-	-	4,200,000
Money market funds	407,707	-	-	-	407,707
Federal government agencies	-	4,015,580	6,993,310	-	11,008,890
Cash with fiscal agent:					
Investment agreements	-	-	-	1,385,000	1,385,000
Certificated of deposits	56,800	-	-	-	56,800
Money market funds	9,244,387	-	-	-	9,244,387
Total	\$ 64,292,218	\$ 4,015,580	\$ 6,993,310	\$ 1,385,000	\$ 76,686,108

Note 3: Settlement Receivable

The City of South Gate has two settlement agreements totaling \$76,712, 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, 2015. See Note 5.

Note 4: Notes and Loans Receivable

Description	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amount Unavailable	Nonspendable Fund Balance
Rental Rehabilitation	\$ 17,433	\$ -	\$ -	\$ 17,433	\$ -	\$ 17,433
Section 8 Repayment Program	14,415	-	-	14,415	-	14,415
HUD	1,157,500	-	288,333	869,167	850,000	19,167
CDBG and 1st Time Home Buyers	6,542,558	321,494	163,508	6,700,544	6,674,665	25,879
Total	\$ 7,731,906	\$ 321,494	\$ 451,841	\$ 7,601,559	\$ 7,524,665	\$ 76,894

- 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, 2015, the City has one rental rehabilitation outstanding balance in the amount of \$17,433.

CITY OF SOUTH GATE

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 4: Notes and Loans Receivable (Continued)

- 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, 2015, 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, 2015, the City has an outstanding loan balance from Llovio Ford, Inc. in the amount of \$869,167.
- 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, 2015, the outstanding balance is \$6,700,544.

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.

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 4	\$ 7,524,665
Settlement receivable, Note 3	76,712
Towne Center Plaza security receivable	238,129
Unavailable revenue related to sales tax receivable	1,085,495
AMG & AMG Associates deposit	15,000
SG Pacific Association	80,000
LAUSD Deposit - Firestone projects	95,000
Total deferred revenue for governmental funds	<u>\$ 9,115,001</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 6: Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due To/From Other Funds

Due from Other Funds	Due from Other Funds			Total
	Housing Authority	HOME Program	Nonmajor Governmental Funds	
General Fund	\$ 23,477	\$ 124,030	\$ 4,042,130	\$ 4,189,637
Internal Service Fund	42,446	-	-	42,446
Total	<u>\$ 65,923</u>	<u>\$ 124,030</u>	<u>\$ 4,042,130</u>	<u>\$ 4,232,083</u>

Current interfund receivables and payables are the result of short-term borrowings at June 30, 2015.

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, 2015, is \$10,705,028.

The annual requirement to repay the advance is as follows:

	\$21,985,000 Advance	
	Principal	Interest
2015 - 2016	\$ 894,904	\$ 535,252
2016 - 2017	939,650	490,506
2017 - 2018	986,632	443,524
2018 - 2019	1,035,964	394,192
2019 - 2020	1,087,762	342,394
2020 - 2025	5,760,116	839,680
Total	<u>\$ 10,705,028</u>	<u>\$ 3,045,548</u>

Interfund Transfers

Transfers In	Transfers Out			Total
	General Fund	Nonmajor Governmental Funds	Utility Authority Sewer Fund	
General Fund	\$ -	\$ 174,068	\$ -	\$ 174,068
HOME Program Fund	-	44,065	-	44,065
Capital Improvement Fund	154,105	5,060,301	-	5,214,406
Nonmajor Governmental Funds	-	628,499	-	628,499
Utility Authority Water Fund	-	-	203,595	203,595
Total	<u>\$ 154,105</u>	<u>\$ 5,906,933</u>	<u>\$ 203,595</u>	<u>\$ 6,264,633</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

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

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 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 \$208,921 was to pay for street lighting expenditures. The transfer from the Street Lighting and Landscaping Fund to the American Recovery and Reinvestment Act Fund in the amount of \$85,754 was to pay for street lighting expenditures. The transfer from the Gas Tax Fund to the American Recovery and Reinvestment Act Fund in the amount of \$333,824 was used to pay for street lighting expenditures.

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, 2015, follows

	Balance at July 1, 2014	Additions	Deletions	Transfers	Balance at June 30, 2015
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 3,738,993	\$ -	\$ -	\$ -	\$ 3,738,993
Construction in progress	21,750,602	5,265,025	(663)	(19,916,407)	7,098,557
Total Capital Assets, Not Being Depreciated	25,489,595	5,265,025	(663)	(19,916,407)	10,837,550
Capital Assets, being depreciated:					
Structures and improvements	28,066,943	-	-	-	28,066,943
Machinery and equipment	10,550,623	1,173,347	(491,562)	-	11,232,408
Infrastructure street network	322,664,966	-	-	19,916,407	342,581,373
Total Capital Assets, Being Depreciated	361,282,532	1,173,347	(491,562)	19,916,407	381,880,724
Less accumulated depreciation:					
Structures and improvements	(11,909,288)	(770,156)	-	-	(12,679,444)
Machinery and equipment	(8,822,758)	(473,224)	491,562	-	(8,804,420)
Infrastructure street network	(138,754,257)	(6,901,472)	-	-	(145,655,729)
Total Accumulated Depreciation	(159,486,303)	(8,144,852)	491,562	-	(167,139,593)
Total Capital Assets, Being Depreciated, Net	201,796,229	(6,971,505)	-	19,916,407	214,741,131
Governmental Activities Capital Assets, Net	<u>\$ 227,285,824</u>	<u>\$ (1,706,480)</u>	<u>\$ (663)</u>	<u>\$ -</u>	<u>\$ 225,578,681</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Capital Assets (Continued)

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	219,095
Parks and recreation	559,000
Public works	7,236,379
Fleet management	51,984
Information system	53,982
	<u>\$ 8,144,852</u>

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
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	1,724,433	517,408	-	2,241,841
Total Capital Assets, Not Being Depreciated	4,948,179	517,408	-	5,465,587
Capital Assets, being depreciated:				
Structures and improvements	4,043,249	-	-	4,043,249
Machinery and equipment	6,291,225	284,513	-	6,575,738
Infrastructure street network	56,247,240	-	-	56,247,240
Total Capital Assets, Being Depreciated	66,581,714	284,513	-	66,866,227
Less accumulated depreciation:				
Structures and improvements	(943,031)	(79,913)	-	(1,022,944)
Machinery and equipment	(3,306,944)	(270,784)	-	(3,577,728)
Infrastructure street network	(22,455,785)	(1,312,266)	-	(23,768,051)
Total Accumulated Depreciation	(26,705,760)	(1,662,963)	-	(28,368,723)
Total Capital Assets, Being Depreciated, Net	39,875,954	(1,378,450)	-	38,497,504
Business-Type Activities Capital Assets, Net	\$ 44,824,133	\$ (861,042)	\$ -	\$ 43,963,091

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	\$ 1,080,537
Utility Authority - Sewer Fund	582,426
	<u>\$ 1,662,963</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

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, 2015:

	July 1, 2014	Adjustments *	Additions	Deletions	June 30, 2015	Due within One year
Bonds payable:						
2005 Pension obligation bonds	\$ 19,425,000	\$ -	\$ -	\$ 965,000	\$ 18,460,000	\$ 1,015,000
Limited obligation improvement bonds	30,000	-	-	30,000	-	-
Certificates of participation:						
2002 Series A certificates of participation	9,520,000	-	-	9,520,000	-	-
2002 Series B certificates of participation	4,875,000	-	-	4,875,000	-	-
Capital lease obligations	581,683	-	-	360,988	220,695	220,695
Notes payable	2,720,000	-	-	500,000	2,220,000	530,000
Claims and judgments	7,383,329	-	2,888,087	1,480,369	8,791,047	1,760,000
Compensated absences	4,027,900	-	2,180,392	1,425,090	4,783,202	1,511,919
Other post employment benefits obligations	3,827,242	-	1,031,025	549,135	4,309,132	-
Net pension obligations	-	59,772,637	-	11,988,761	47,783,876	-
	<u>\$ 52,390,154</u>	<u>\$ 59,772,637</u>	<u>\$ 6,099,504</u>	<u>\$ 31,694,343</u>	<u>\$ 86,567,952</u>	<u>\$ 5,037,614</u>

* Adjustments are the result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of Gasb Statement No. 27*.

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, 2015, the outstanding balance on the bonds is \$18,460,000.

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%. At June 30, 2015, the Limited Obligation Improvement Bonds have been paid in full.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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, 2015:

	2005 Pension Obligation Bonds	
	Principal	Interest
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
2019 - 2020	1,255,000	757,941
2020 - 2025	7,360,000	2,697,695
2025 - 2030	5,440,000	596,673
Total	<u>\$ 18,460,000</u>	<u>\$ 7,696,804</u>

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 to be defeased and have been paid in full.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8: Long-Term Debt (Continued)

Pursuant to AB 1484 and to assist agencies to refund obligations used to finance redevelopment projects, the County of Los Angeles Redevelopment Refunding Authority issued in July 2014 Tax Allocation Revenue Refunding Bonds Series 2014 A and Series 2014 B South Gate Redevelopment Project No.1 to refund the outstanding balances of the 2002 Certificates of Participation, Series A and Series B, and the 2002 and 2003 Tax Allocation Revenue Bonds. As a result, the 2002 Certificates of participation Series A and Series B are considered to be defeased and the liability has been removed from the long-term debt.

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, 2015, the outstanding balance is \$199,488.

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, 2015, the street sweepers lease has been paid in full.

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, 2015, the outstanding balance is \$21,207.

The annual requirements to amortize the outstanding capital leases as of June 30, 2015, are as follows:

	Equipment Lease	Bucket Truck
2015 - 2016	\$ 204,084	\$ 22,583
Total Payments	204,084	22,583
Less Amount Representing Interest	(4,596)	(1,376)
Outstanding Principal	<u>\$ 199,488</u>	<u>\$ 21,207</u>

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 8: Long-Term Debt (Continued)**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, 2015, the outstanding balance is \$850,000.

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 were used by the Commission to fund loans. The note accrues interest of 6%. As of June 30, 2015, the outstanding balance is \$1,370,000.

The annual requirements to amortize the outstanding notes payable as of June 30, 2015, is as follows:

	1998 Section 108 HUD Note		2000 A Section 108 HUD Note	
	Principal	Interest	Principal	Interest
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
2019 - 2020	-	-	310,000	24,670
Total	<u>\$ 850,000</u>	<u>\$ 11,117</u>	<u>\$ 1,370,000</u>	<u>\$ 285,279</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.

Compensated Absences

For governmental activities, accumulated vacation, sick leave benefits, holiday and compensatory time payable at June 30, 2015, was \$4,783,202. Vacation, sick leave, holiday and compensatory time are recorded as expenditures in the related funds when used.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8: Long-Term Debt (Continued)

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, 2015:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due Within One Year
2001 Subordinate Revenue Bonds	\$ 8,381,508	\$ 355,100 *	\$ 1,385,000	\$ 7,351,608	\$ 1,385,000
2012 Water Revenue Bonds	34,110,000	-	210,000	33,900,000	215,000
Compensated absences	297,177	144,125	153,004	288,298	140,958
	<u>\$ 42,788,685</u>	<u>\$ 499,225</u>	<u>\$ 1,748,004</u>	41,539,906	<u>\$ 1,740,958</u>
			Unamortized premium	1,288,515	
			Total	<u>\$ 42,828,421</u>	

* Additon represents accreted interest

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, 2015, the reserve requirement was \$1,385,000. The balance held in the reserve account as of June 30, 2015, was \$1,385,000.

Note 8: Long-Term Debt (Continued)

On August 15, 2012, the South Gate Utility authority issued the 2012 Series Water Revenue Bonds to 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 \$7,351,608 at June 30, 2015.

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 \$1,592,750. Total principal and interest paid for the fiscal year was \$1,385,000.

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, 2015, the reserve requirement was \$2,936,225. The balance held in the reserve account as of June 30, 2015, was \$2,903,850 in investment contracts and an insurance policy to cover the remaining \$32,375. At June 30, 2015, the unamortized bond premium balance is \$1,288,515 and the outstanding balance on the bonds is \$33,900,000.

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 \$2,014,570. Total principal and interest paid for the fiscal year was \$1,751,800.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8: Long-Term Debt (Continued)

The following schedule summarizes the debt service to maturity requirements for business-type activities bonds outstanding as of June 30, 2015:

	2001 Subordinate Revenue Bonds		2012 Series Water Revenue Bonds	
	Principal	Interest	Principal	Interest
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
2019 - 2020	1,385,000	-	250,000	1,497,450
2020 - 2025	1,385,000	-	6,445,000	6,894,369
2025 - 2030	-	-	9,660,000	4,769,133
2030 - 2035	-	-	10,570,000	2,393,375
2035 - 2040	-	-	6,070,000	394,188
Subtotal	8,310,000	\$ -	\$ 33,900,000	\$ 22,032,415
Less: Unaccrued Discount	(958,392)			
Total	\$ 7,351,608			

Compensated Absences

For the enterprise funds, accumulated vacation, sick leave, holiday and compensatory time amounted to \$288,298 at June 30, 2015. 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 \$14,962 to the plan.

Note 10: Public Employees Retirement System

a. Miscellaneous Plan

General Information about the Pension Plan

Plan Description

The Miscellaneous Plan of the City of South Gate is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in their respective June 30, 2013 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	
	Tier I - Classic *	PEPRA
	Prior to	On or after
Hire date	January 1, 2010	January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50	minimum 50
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%	1.000% - 2.500%
Required employee contribution rates	8.000%	6.750%
Required employer contribution rates	14.652%	14.652%

* Closed to new entrants

At June 30, 2013, the following employees were covered by the benefit terms of the plan:

Description	Number of Participants
	Miscellaneous Plan
Active members	225
Transferred members	209
Terminated members	187
Retired members and beneficiaries	305
Total	926

Contribution Description

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

For the year ended June 30, 2015, the employer contributions recognized as part of pension expense for the Miscellaneous Plan was \$1,947,828.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)

Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Miscellaneous Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate.

Note 10: Public Employees Retirement System (Continued)

Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Agent Multiple-Employer Defined Benefit Pension Plan. More information can be found on the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

- (1) An expected inflation of 2.5% used for this period
 (2) An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2013 (Valuation Date) (1)	\$ 121,711,413	\$ 92,963,699	\$ 28,747,714
Changes Recognized for the Measurement Period:			
Service Cost	2,209,895	-	2,209,895
Interest on the Total Pension Liability	9,016,106	-	9,016,106
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contribution from the Employer	-	1,971,806	(1,971,806)
Contributions from Employees	-	963,778	(963,778)
Net Investment Income (2)	-	15,942,156	(15,942,156)
Benefit Payments including Refunds of Employee Contributions	(5,203,224)	(5,203,224)	-
Net Changes During 2013-14	6,022,777	13,674,516	(7,651,739)
Balance at: 6/30/2014 (Measurement Date) (1)	\$ 127,734,190	\$ 106,638,215	\$ 21,095,975

- (1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report
 (2) Net of administrative expenses.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Plan's Net Pension Liability/(Assets)	\$ 39,216,921	\$ 21,095,975	\$ 6,548,038

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the net pension liability was \$21,095,975. For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense/(income) of \$1,597,530 for the Plan.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer.

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,947,828	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(7,277,463)
Total	\$ 1,947,828	\$ (7,277,463)

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)

\$1,947,828 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (1,819,366)
2016	(1,819,366)
2017	(1,819,366)
2018	(1,819,365)

b. Safety Plan

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City of South Gate's Safety Employee Pension Plans, a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015
Note 10: Public Employees Retirement System (Continued)

The plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety Plan	
	Classic *	PEPRA
	Prior to	On or after
Hire date	January 1, 2010	January 1, 2013
Benefit formula	3.0% @ 50	2.7057% @ 55
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	minimum 50	minimum 50
Monthly benefits, as a % of eligible compensation	2.400% - 3.000%	1.426% - 2.418%
Required employee contribution rates	9.000%	12.250%
Required employer contribution rates	28.991%	12.250%

* Closed to new entrants

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the employer contributions recognized as part of pension expense for all cost-sharing plans were \$2,086,240.

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

The City of South Gate reported a net pension liability for its safety plan of \$28,948,876 at June 30, 2015 for its proportionate shares of the plan.

The City's net pension liability for the safety plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)

The City's proportionate share of the net pension liability for the safety plan as of June 30, 2013 and 2014, was as follows:

	Plan Net Pension Liability/(Asset)
Balance at: 6/30/2013	\$ 38,053,075
Balance at: 6/30/2014	<u>28,948,876</u>
Net Changes during 2013-14	<u>\$ (9,104,199)</u>

For the year ended June 30, 2015, the City recognized pension expense of \$2,359,006. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,086,240	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(8,512,378)
Adjustment due to difference in proportions	<u>546,567</u>	<u>(1,533,462)</u>
Total	<u>\$ 2,632,807</u>	<u>\$ (10,045,840)</u>

\$2,086,240 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (2,336,434)
2017	(2,336,434)
2018	(2,375,536)
2019	(2,450,869)

Note 10: Public Employees Retirement System (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. The Experience Study report can be obtained at CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund.

The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 10: Public Employees Retirement System (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

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

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

Note 10: Public Employees Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.50%, as well as what the City's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Plan's Net Pension Liability/(Assets)	\$ 49,373,586	\$ 28,948,876	\$ 12,119,796

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 11: Supplemental Retirement Plan

General Information

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.

Benefits Provided

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 11: Supplemental Retirement Plan (Continued)

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

As of June 30, 2013, plan membership consisted of the following:

<u>Plan Members (or Beneficiaries)</u>	<u>Balance as of June 30, 2015</u>
	<u>Total</u>
Active participants	5
Retirees receiving benefits	23
Terminated vested participants	4
Total plan members	<u>32</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined by an independent pension actuary using information furnished by the City and by PARS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the employer's contribution rate was 15.11% of annual payroll, and no contributions were made by the employees. For the year ended June 30, 2015, the City contributed \$108,819 to the plan.

Net Pension Liability

Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's net pension liability is measured as of June 30, 2015 using an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015 using standard updated procedures.

A summary of components of the Plan's net pension liability as of June 30, 2015, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

Total pension liability	\$ 1,359,151
Plan fiduciary net position	<u>(894,946)</u>
Net pension liability	<u>\$ 464,205</u>
Plan fiduciary net position as a % of total pension liability	65.8%

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 11: Supplemental Retirement Plan (Continued)**Actuarial Methods and Assumptions Used for Funding Policy**

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed 17 years, 0.00% growth
Actuarial Assumptions	
Discount Rate	7.00%
Inflation	3.00%
Salary Increases	Graded rates based on years of service, 3.85% after 22 years of service
Investment Rate of Return	7.50%
Cost of Living Adjustments	2.00%
Mortality	Consistent with non-industrial rates used to value the Miscellaneous CalPERS Pension Plans
Retirement	Varies by Age, 100% for 75+

Discount Rate

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per actuarial investment consulting practice as of January 1, 2015.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Cash	BofA Merrill Lynch 90-Day T-Bills	2.63%	0.53%	0.53%
Core Fixed Income	Barclays Aggregate	39.67%	2.03%	1.90%
Broad US Equities	Russell 3000	41.67%	5.64%	4.25%
Developed Foreign Equities	MSCI EAFE	12.36%	6.31%	4.58%
Emerging Market Equities	MSCI Emerging Markets	3.67%	8.56%	5.11%
Assumed Inflation - Mean			2.76%	2.74%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			4.26%	3.82%
Portfolio Nominal Mean Return			7.02%	6.57%
Portfolio Standard Deviation				10.09%
Long-Term Expected Rate of Return				7.00%

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 11: Supplemental Retirement Plan (Continued)

A blended discount rate is generally required to be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate will often require that the actuary perform complex projects of future benefit payments and asset values. Alternative evaluations of projected solvency are allowed, if such evaluation can reliably be made.

Change in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Total Pension Liability (a)	Increase (Decrease)	
		Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance as of June 30, 2014	\$ 1,327,569	\$ 852,250	\$ 475,319
Changes for the year:			
Service Cost	20,273	-	20,273
Interest on the Total Pension Liability	91,587	-	91,587
Benefit Payments	(80,278)	(80,278)	-
Employer Contributions	-	108,819	(108,819)
Net Investment Income	-	18,658	(18,658)
Administrative Expenses	-	(4,503)	4,503
Balance as of June 30, 2015	<u>\$ 1,359,151</u>	<u>\$ 894,946</u>	<u>\$ 464,205</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of South Gate, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	Discount Rate	Current	Discount Rate
	- 1% 6.00%	Discount Rate 7.00%	+ 1% 8.00%
Total Pension Liability	\$ 1,497,657	\$ 1,359,151	\$ 1,240,786
Fiduciary Net Position	894,946	894,946	894,946
Net Pension Liability	<u>\$ 602,711</u>	<u>\$ 464,205</u>	<u>\$ 345,840</u>

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 11: Supplemental Retirement Plan (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of the start of the measurement period, July 1, 2014, the net pension liability was \$475,319. For the measurement period ending June 30, 2015, the City of South Gate incurred a pension expense of \$64,243 for the Plan. As of the measurement date, June 30, 2015, the net pension liability is \$464,205.

Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the City.

As of June 30, 2015, the City reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	<u>\$ 33,462</u>	<u>\$ -</u>

The amount above reflects the net difference between the projected and actual earnings of the pension plan investment. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2016	\$ 8,365
2017	8,365
2018	8,365
2019	8,367

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 2015, 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, 2015

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 \$549,135. For the fiscal year ended June 30, 2015, 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	47,841
Adjustment to ARC	<u>(281,404)</u>
Annual OPEB cost	1,031,025
Contributions made	<u>549,135</u>
Increase in net OPEB obligation	481,890
Net OPEB Obligation, Beginning of Year	<u>3,827,242</u>
Net OPEB, Obligation, End of Year	<u><u>\$ 4,309,132</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, 2015, 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
6/30/2013	\$ 1,128,748	\$ 496,416	44%	\$ 3,291,723
6/30/2014	1,077,465	541,946	50%	3,827,242
6/30/2015	1,031,025	549,135	53%	4,309,132

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 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

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 12: Post Employment Benefits (Continued)

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	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a 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, 2015

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 \$8,791,047 reported in the Self-Insurance Internal Service Fund at June 30, 2015, 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:

	2014	2015
Balance at beginning of year	\$ 7,198,877	\$ 7,383,329
Claims and changes in estimates	1,054,948	2,888,087
Claim payments	(870,496)	(1,480,369)
Balance at end of year	<u>\$ 7,383,329</u>	<u>\$ 8,791,047</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, 2015

Note 15: Construction Commitments

The following material construction commitments existed at June 30, 2015:

Project Name	Contract Amount	Expenditures to date as of June 30, 2015	Remaining Commitments
Upgrade Water Facilities-Well#28	\$ 550,077	\$ 315,545	\$ 234,532
Upgrade Water Facilities-Well#29	399,923	252,396	147,527
Traffic Signal - Firestone	738,353	10,786	727,567
Firestone Blvd Median Island	847,813	120,392	727,421
Firestone/Atlantic RR Upgrades	4,578,822	966,966	3,611,856

Note 16: Deficit Fund Balances

The following funds contained a deficit at June 30, 2015:

Fund	Amount
Governmental Funds:	
Nonmajor Special Revenue Funds:	
Traffic Safety	\$ 445,726
Nonmajor Debt Service Fund	
Ardine Assessment District	26,088
Proprietary Funds:	
Major Funds:	
Utility Authority - Water Fund	6,383,313
Internal Service Funds:	
Fleet Management	336,012
Insurance	1,744,651
Fiduciary Funds:	
Private-Purpose Trust Fund:	
Successor Agency of the Former CDC	33,965,740

These deficits will be funded with future revenue.

Note 17: Net Position and Fund Balance Restatements

Beginning net positions and beginning fund balances have been restated to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Restatements were as follows:

Governmental Activities:	\$ (59,772,637)
Business-Type Activities	(3,458,914)
Proprietary funds:	
Utility Authority Water Fund	(2,685,622)
Utility Authority Sewer Fund	(773,292)
Internal Service Funds	
Insurance Fund	(298,135)
Information System Fund	(307,612)
Fleet Management Fund	(745,239)

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 18: 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.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency to the Former Improvement Agency is reported as a fiduciary fund (private purpose trust fund).

a. Cash and Investments

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

Cash and investments	\$ 1,532,841
Cash and investments with fiscal agent	3,465,508
	<u>\$ 4,998,349</u>

The Successor Agency’s funds are pooled with the City of South Gate’s cash and investments in order to generate optimum interest income. See Note 2 for information required by GASB Statement No. 40 related to authorized investments, credit risk, etc.

b. Notes and Loans Receivable

Description	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Family Trust Dudlext Housing Project	\$ 563,432	\$ -	\$ 51,222	\$ 512,210
Llovio Ford, Inc	222,000	-	24,000	198,000
Total	<u>\$ 785,432</u>	<u>\$ -</u>	<u>\$ 75,222</u>	<u>\$ 710,210</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

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 Dudlert 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, 2015, the outstanding balance on the loan is \$512,210.

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, 2015, the outstanding balance is \$198,000.

c. Capital Assets

An analysis of capital assets as of June 30, 2015, follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
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	(144,758)	(19,089)	-	(163,847)
Machinery and Equipment	(19,359)	-	-	(19,359)
Total Accumulated Depreciation	<u>(164,117)</u>	<u>(19,089)</u>	<u>-</u>	<u>(183,206)</u>
Total Capital Assets, Being Depreciated, Net	<u>237,027</u>	<u>(19,089)</u>	<u>-</u>	<u>217,938</u>
Total Capital Assets, Net	<u>\$ 1,923,027</u>	<u>\$ (19,089)</u>	<u>\$ -</u>	<u>\$ 1,903,938</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

d. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) as of June 30, 2015, is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due Within One Year
Advances from City	\$ 19,383,080	\$ 347,107	\$ (14,909,319)	\$ 4,820,868	\$ 1,744,467
2002 Tax Allocation Bonds	10,865,000	-	(10,865,000)	-	-
2003 Tax Allocation Bonds	19,950,000	-	(19,950,000)	-	-
2014A Tax Allocation Bonds	-	29,835,000	-	29,835,000	2,405,000
2014B Tax Allocation Bonds	-	3,920,000	-	3,920,000	350,000
Total	\$ 50,198,080	\$ 34,102,107	\$ (45,724,319)	38,575,868	\$ 4,499,467
			Unamortized premium	3,851,696	
				\$ 42,427,564	

Advances from the City

A description of the advances payable to the City of South Gate as of June 30, 2015, 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 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, 2015, is \$1,370,000.

On May 16, 2014, the Department of Finance issued a letter to the City stating that the \$3,625,000 advance was not an enforceable obligation. On April 24, 2015, the City formally filed a Court petition against the Department of Finance for disapproving the loan as an enforceable obligation. The court hearing is set on May 6, 2016.

\$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 repayment of the advance is due annually on March 1st of each year. The amount outstanding at June 30, 2015, is \$3,103,761.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

**Note 18: Successor Agency Trust for Assets of Former Community Development Commission
(Continued)**

On April 9, 2014, the Department of Finance approved the advance of \$12,000,000, with an outstanding balance of \$3,388,080 as an enforceable obligation. The Department of Finance reversed its original decision and deemed this advance an enforceable obligation beginning on the ROPS 14-15A. However, the repayment of the City loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for the current fiscal year before requesting funding for this obligation. Also, the Agency is required to set aside 20% to LMIHF from the available funds after the residual pass-through distributions.

In addition, HSC section 34191.4 (b) (2) requires the interest be calculated from loan origination at the Local Agency Investment Fund (LAIF) rate. The accumulated interest on the loan is recalculated from the date of loan origination using the quarterly LAIF interest rate at the time when the Agency's Oversight Board makes a finding that the City loan was for legitimate redevelopment purposes. This will supersede any existing interest rates in the loan agreement.

\$347,107 Advance

On January 13, 2015, the City of South Gate entered into an agreement with the Successor Agency to the Community Development Commission of the City of South Gate pursuant to Section 34173(h) of the Dissolution Law authorizing the City to loan funds to the Successor Agency for enforceable obligations, administrative costs or project related expenses. The advance was made to pay the debt service on the Section 108 Loan from US Department of Housing and Urban Development that was previously denied as an enforceable obligation by the Department of Finance (DOF) or until such funding by DOF is approved through one or more subsequent ROPS. The amount outstanding at June 30, 2015, is \$347,107.

\$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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

Pursuant to AB 1484 and to assist agencies to refund obligations used to finance redevelopment projects, the County of Los Angeles Redevelopment Refunding Authority issued in July 2014 Tax Allocation Revenue Refunding Bonds Series 2014 A and Series 2014 B South Gate Redevelopment Project No.1 to refund the outstanding balances of the 2002 Certificates of Participation, Series A and Series B, and the 2002 and 2003 Tax Allocation Revenue Bonds. As a result, the 2002 Certificates of Participation Series A are considered defeased and the advance to the General Fund was repaid in full.

\$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 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.

Pursuant to AB 1484 and to assist agencies to refund obligations used to finance redevelopment projects, the County of Los Angeles Redevelopment Refunding Authority issued in July 2014 Tax Allocation Revenue Refunding Bonds Series 2014 A and Series 2014 B South Gate Redevelopment Project No.1 to refund the outstanding balances of the 2002 Certificates of Participation, Series A and Series B, and the 2002 and 2003 Tax Allocation Revenue Bonds. As a result, the 2002 Certificates of Participation Series B are considered defeased and the advance to the General Fund was repaid in full.

The annual requirements to repay the advances are as follows:

	\$3,625,000 Advance	
	Principal	Interest
2015 - 2016	\$ 240,000	\$ 98,816
2016 - 2017	255,000	79,427
2017 - 2018	275,000	58,535
2018 - 2019	290,000	23,831
2019 - 2020	310,000	24,670
Total	<u>\$ 1,370,000</u>	<u>\$ 285,279</u>

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

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

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 to be defeased and the liability for those bonds has been removed from the government-wide financial statements.

The 2002 Tax Allocation Revenue 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 on March 1, 2003 and semi-annually thereafter on September 1 and March 1 of each year.

Pursuant to AB 1484 and to assist agencies to refund obligations used to finance redevelopment projects, the County of Los Angeles Redevelopment Refunding Authority issued in July 2014 Tax Allocation Revenue Refunding Bonds Series 2014A and Series 2014B to refund the outstanding balances of the 2002 Certificates of Participation, Series A and Series B, and the 2002 and 2003 Tax Allocation Revenue Bonds. As a result, the 2002 Tax Allocation Revenue Bonds are considered to be defeased and the liability has been removed from the long-term debt.

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.

Pursuant to AB 1484 and to assist agencies to refund obligations used to finance redevelopment projects, the County of Los Angeles Redevelopment Refunding Authority issued in July 2014 Tax Allocation Revenue Refunding Bonds Series 2014A and Series 2014B to refund the outstanding balances of the 2002 Certificates of Participation, Series A and Series B, and the 2002 and 2003 Tax Allocation Revenue Bonds. As a result, the 2003 Tax Allocation Revenue Bonds are considered to be defeased and the liability has been removed from the long-term debt.

2014 Tax Allocation Revenue Refunding Bonds

In July 2014, the County of Los Angeles Redevelopment Refunding Authority issued \$29,835,000 in 2014 Tax Allocation Revenue Refunding Bonds, Series A, South Gate Redevelopment Project No. 1 with an average interest rate of 4.36% and \$3,920,000 in 2014 Tax Allocation Revenue Refunding Bonds, Series B, South Gate

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

Redevelopment Project No. 1 with an average interest rate of 2.65% to refund the outstanding balance of the 2002 Certificates of Participation Series A and Series B, the 2002 Tax Allocation Revenue Bonds and the 2003 Tax Allocation Revenue Bonds.

2014 Tax Allocation Revenue Bonds, Series A (Tax-Exempt)

The 2014 Tax Allocation Revenue Bonds, Series A mature in amounts ranging from \$2,405,000 to \$3,650,000 with interest rates ranging from 2% to 5% through September 1, 2024. Interest on the bonds is payable on March 1, 2015 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 the original aggregate principal amount of the bonds; (ii) 125% of average annual debt service; or (iii) maximum annual debt service. As of June 30, 2015, the reserve requirement was \$3,040,440 and the balance held in the reserve account was \$3,040,440.

The bonds were issued at a premium of \$4,287,460. At June 30, 2015, the unamortized premium is \$3,897,691 and the outstanding balance on the bonds is \$29,835,000.

2014 Tax Allocation Revenue Bonds, Series B (Taxable)

The 2014 Tax Allocation Revenue Bonds, Series B mature in amounts ranging from \$350,000 to \$445,000 with interest rates ranging from .70% to 4% through September 1, 2024. Interest on the bonds is payable on March 1, 2015 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 the original aggregate principal amount of the bonds; (ii) 125% of average annual debt service; or (iii) maximum annual debt service. As of June 30, 2015, the reserve requirement was \$335,060 and the balance held in the reserve account was \$335,060.

The bonds were issued at a discount of \$51,106. At June 30, 2015, the unamortized discount is \$45,995 and the outstanding balance on the bonds is \$3,920,000.

The following schedule summarizes the debt service to maturity requirements for bonds payable outstanding as of June 30, 2015:

	2014 Tax Allocation Revenue Bonds, Series A		2014 Tax Allocation Revenue Bonds, Series B	
	Principal	Interest	Principal	Interest
2015 - 2016	\$ 2,405,000	\$ 1,290,150	\$ 350,000	\$ 105,521
2016 - 2017	2,570,000	1,227,550	365,000	102,106
2017 - 2018	2,645,000	1,136,100	370,000	96,679
2018 - 2019	2,755,000	1,028,100	375,000	89,223
2019 - 2020	2,870,000	901,250	380,000	79,874
2020 - 2025	16,590,000	1,815,000	2,080,000	203,259
Total	<u>\$ 29,835,000</u>	<u>\$ 7,398,150</u>	<u>\$ 3,920,000</u>	<u>\$ 676,662</u>

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

The net proceeds of \$38.0 million of the 2014 Tax Allocation Revenue Refunding Bonds Series A and Series B South Gate Redevelopment Project No. 1 (after a net \$4.2 million of bond premium, discount and cost of issuance) and with \$15.6 million of amounts released from prior obligations were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2002 Certificates of Participation Series A and Series B, the 2002 Tax Allocation Revenue Bonds and the 2003 Tax Allocation Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability of the 2002 Certificates of Participation Series A and Series B, the 2002 Tax Allocation Revenue Bonds and the 2003 Tax Allocation Revenue Bonds has been removed from long term debt. The refunding decreased the total debt service payment by \$3.1 million over the next 10 years and resulted in an economic gain of \$0.8 million.

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 by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$41,829,812 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 \$4,191,018 and the debt service obligation on the bonds \$3,739,087.

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, 2015**

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 funds. 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. The Housing Successor does not have an adopted budget.

Excess Expenditures over Appropriations

Expenditures for the year ended June 30, 2015, exceeded the appropriations in the following fund:

Fund	Appropriations	Expenditures	Excess
Major Governmental Funds:			
General Fund			
Debt Service - Principal Retirement	\$ 2,195,582	\$ 15,615,581	\$ (13,419,999)
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Community Development Block Grant			
Debt Service - Principal Retirement	230,000	500,000	(270,000)
Debt Service - Interest and fiscal charges	63,014	121,613	(58,599)
Air Quality Management			
Debt Service - Principal Retirement	18,700	19,911	(1,211)
Gas Tax			
Capital Outlay	9,400	11,861	(2,461)
Prop A Transit			
Community Development	1,974,475	2,016,626	(42,151)

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 50,443,407	\$50,443,407	\$ 50,443,407	\$ -
Resources (Inflows):				
Taxes	30,056,120	30,056,120	32,954,518	2,898,398
Licenses and permits	1,221,610	1,221,610	1,321,639	100,029
Intergovernmental	375,000	441,500	783,760	342,260
Charges for services	4,470,392	4,470,392	5,062,325	591,933
Use of money and property	2,322,967	2,322,967	1,564,758	(758,209)
Fines and forfeitures	800,000	800,000	1,066,113	266,113
Miscellaneous	-	-	1,696,667	1,696,667
Transfers in	10,000	534,068	174,068	(360,000)
Amounts Available for Appropriations	89,699,496	90,290,064	95,067,255	4,777,191
Charges to Appropriations (Outflow):				
General government				
City Council	175,589	175,589	168,695	6,894
City Clerk	573,369	573,369	378,217	195,152
City Treasurer	55,000	55,000	150,836	(95,836)
City Manager	689,333	689,333	630,632	58,701
City Attorney	1,022,072	1,022,072	1,012,928	9,144
Administrative Services	3,465,517	3,465,517	3,158,122	307,395
Public safety	20,658,956	20,658,956	19,070,489	1,588,467
Community development	2,697,362	2,697,362	2,235,517	461,845
Parks and recreation	5,582,632	5,831,159	5,592,992	238,167
Public works	3,144,154	3,147,251	2,897,575	249,676
Capital outlay	334,500	404,376	197,821	206,555
Debt service:				
Principal retirement	2,195,582	2,195,582	15,615,581	(13,419,999)
Interest and fiscal charges	1,904,098	1,904,098	1,484,594	419,504
Transfers out	283,296	4,346,441	154,105	4,192,336
Total Charges to Appropriations	42,781,460	47,166,105	52,748,104	(5,581,999)
Budgetary Fund Balance, June 30	\$ 46,918,036	\$43,123,959	\$ 42,319,151	\$ (804,808)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$3,270,467	\$ 3,270,467	\$ 3,270,467	\$ -
Resources (Inflows):				
Intergovernmental	4,322,000	4,322,000	4,293,578	(28,422)
Use of money and property	5,000	5,000	988	(4,012)
Miscellaneous	6,600	6,600	7,213	613
Amounts Available for Appropriations	7,604,067	7,604,067	7,572,246	(31,821)
Charges to Appropriations (Outflow):				
Community development	4,899,981	4,899,981	4,580,467	319,514
Total Charges to Appropriations	4,899,981	4,899,981	4,580,467	319,514
Budgetary Fund Balance, June 30	\$2,704,086	\$ 2,704,086	\$ 2,991,779	\$ 287,693

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 HOME PROGRAM
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	444,744	604,110	509,356	(94,754)
Transfers in	-	109,563	44,065	(65,498)
Amounts Available for Appropriations	444,744	713,673	553,421	(160,252)
Charges to Appropriations (Outflow):				
Community development	543,443	702,809	553,421	149,388
Total Charges to Appropriations	543,443	702,809	553,421	149,388
Budgetary Fund Balance, June 30	\$ (98,699)	\$ 10,864	\$ -	\$ (10,864)

CITY OF SOUTH GATE

**MISCELLANEOUS PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
TOTAL PENSION LIABILITY	
Service Cost	\$ 2,209,895
Interest	9,016,106
Benefit Payments, Including Refunds of employee Contributions	(5,203,224)
Net Change in Total Pension Liability	<u>6,022,777</u>
Total Pension Liability - Beginning	<u>121,711,413</u>
Total Pension Liability - Ending (a)	<u>\$ 127,734,190</u>
PLAN FIDUCIARY NET POSITION	
Contribution - Employer	\$ 1,971,806
Contribution - Employee	963,778
Net Investment Income (2)	15,942,156
Benefit Payments, Including Refunds of Employee Contributions	(5,203,224)
Net Change in Fiduciary Net Position	<u>13,674,516</u>
Plan Fiduciary Net Position - Beginning	<u>92,963,699</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 106,638,215</u>
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	<u>\$ 21,095,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.48%
Covered-Employee Payroll	\$ 12,254,729
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	172.15%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions: There were no changes in assumptions.

CITY OF SOUTH GATE

**MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
<u>Miscellaneous Plan</u>	
Actuarially Determined Contribution	\$ 1,947,828
Contribution in Relation to the Actuarially Determined Contribution	(1,947,828)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 12,254,729
Contributions as a Percentage of Covered-Employee Payroll	15.89%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date: June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Assets valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.

Retirement age The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

Mortality The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF SOUTH GATE

SAFETY PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015

	<u>2015</u>
Proportion of the Net Pension Liability	0.46523%
Proportionate Share of the Net Pension Liability	\$ 28,948,876
Covered-Employee Payroll	\$ 6,919,179
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	418.39%
Plan Fiduciary Net Position	\$ 123,531,054
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.02%

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions: There were no changes in assumptions.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF SOUTH GATE

**SAFETY PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, 2015**

	<u>2015</u>
Actuarially Determined Contribution	\$ 2,086,240
Contribution in Relation to the Actuarially Determined Contribution	(2,086,240)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 6,919,179
Contributions as a Percentage of Covered-Employee Payroll	30.15%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Safety Plan

Valuation Date: June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Assets valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.

Retirement age The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

Mortality The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF SOUTH GATE

**SUPPLEMENTAL RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

MEASUREMENT PERIOD	<u>2015</u>
TOTAL PENSION LIABILITY	
Service Cost	\$ 20,273
Interest	91,587
Benefit Payments, Including Refunds of employee Contributions	<u>(80,278)</u>
Net Change in Total Pension Liability	31,582
Total Pension Liability - Beginning	<u>1,327,569</u>
Total Pension Liability - Ending (a)	<u>\$ 1,359,151</u>
PLAN FIDUCIARY NET POSITION	
Contribution - Employer	\$ 108,819
Net Investment Income (2)	14,155
Benefit Payments, Including Refunds of Employee Contributions	<u>(80,278)</u>
Net Change in Fiduciary Net Position	42,696
Plan Fiduciary Net Position - Beginning	<u>852,250</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 894,946</u>
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	<u>\$ 464,205</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.85%
Covered-Employee Payroll	\$ 720,372
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	64.44%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: There were no changes in benefits.

Changes of Assumptions: There were no changes in assumptions.

CITY OF SOUTH GATE

**SUPPLEMENTAL RETIREMENT PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Actuarially Determined Contribution	\$ 108,819
Contribution in Relation to the Actuarially Determined Contribution	<u>(108,819)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 720,372
Contributions as a Percentage of Covered-Employee Payroll	15.11%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed 17 years, 0.00% growth
Actuarial Assumptions	
Discount Rate	7.00%
Inflation	3.00%
Salary Increases	Graded rates based on years of service, 3.85% after 22 years of service
Investment Rate of Return	7.50%
Cost of Living Adjustments	2.00%
Mortality	Consistent with non-industrial rates used to value the Miscellaneous CalPERS Pension Plans
Retirement	Varies by Age, 100% for 75+

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.

Grants Fund – This fund is used to account for all Federal, State, and local grants not specified in other funds.

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, 2015

	Special Revenue Funds			
	Community Development Block Grant	Law Enforcement Grants	Asset Seizure	Air Quality Improvement
Assets:				
Cash and investments	\$ -	\$ 764,078	\$ 3,385,405	\$ 198,434
Receivables:				
Accounts	-	-	-	-
Notes and loans	2,696,977	-	-	-
Accrued interest	-	575	2,648	171
Prepaid costs	-	-	-	22,583
Due from other governments	251,578	91,176	-	31,273
Advances to Successor Agency	1,370,000	-	-	-
Total Assets	\$ 4,318,555	\$ 855,829	\$ 3,388,053	\$ 252,461
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 25,259	\$ 398	\$ 115,013	\$ -
Accrued liabilities	15,631	22,043	11,584	-
Unearned revenues	132,431	854	-	-
Due to other funds	97,424	-	-	-
Total Liabilities	270,745	23,295	126,597	-
Deferred Inflows of Resources:				
Unavailable revenues	2,677,810	-	-	-
Total Deferred Inflows of Resources	2,677,810	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	22,583
Notes and loans	-	-	-	-
Advances to Successor Agency	1,370,000	-	-	-
Restricted for:				
Community development projects	-	-	-	229,878
Public safety	-	832,534	3,261,456	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,370,000	832,534	3,261,456	252,461
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,318,555	\$ 855,829	\$ 3,388,053	\$ 252,461

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

(CONTINUED)

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Grants	Street Sweeping
Assets:				
Cash and investments	\$ -	\$ 3,525,302	\$ -	\$ -
Receivables:				
Accounts	-	-	-	125,957
Notes and loans	-	-	-	-
Accrued interest	-	3,203	-	-
Prepaid costs	-	-	-	-
Due from other governments	11,057	-	3,622,619	-
Advances to Successor Agency	-	-	-	-
Total Assets	\$ 11,057	\$ 3,528,505	\$ 3,622,619	\$ 125,957
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 13,919	\$ 92,848	\$ 24,687	\$ 2,508
Accrued liabilities	-	47,456	315	10,537
Unearned revenues	-	74,293	123,911	-
Due to other funds	442,864	-	3,473,706	2,048
Total Liabilities	456,783	214,597	3,622,619	15,093
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	-	3,313,908	-	110,864
Unassigned	(445,726)	-	-	-
Total Fund Balances	(445,726)	3,313,908	-	110,864
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,057	\$ 3,528,505	\$ 3,622,619	\$ 125,957

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds			
	Prop "A" Transit	UDAG	Prop "C" Transit	Public Access Corporation
Assets:				
Cash and investments	\$ 1,873,198	\$ 862,521	\$ 2,380,093	\$ 221,216
Receivables:				
Accounts	5,810	-	-	-
Notes and loans	-	-	-	-
Accrued interest	1,619	669	2,299	222
Prepaid costs	-	-	-	-
Due from other governments	559,478	49,473	-	-
Advances to Successor Agency	-	-	-	-
Total Assets	\$ 2,440,105	\$ 912,663	\$ 2,382,392	\$ 221,438
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 209,108	\$ 11,314	\$ 26,344	\$ -
Accrued liabilities	9,968	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	219,076	11,314	26,344	-
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	2,221,029	901,349	-	221,438
Public safety	-	-	-	-
Public works	-	-	2,356,048	-
Unassigned	-	-	-	-
Total Fund Balances	2,221,029	901,349	2,356,048	221,438
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,440,105	\$ 912,663	\$ 2,382,392	\$ 221,438

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

(CONTINUED)

	Special Revenue Funds			Capital Projects Fund
	Street Light & Landscaping	American Recovery and Reinvestment Act	Measure R Transit	Bike Way
Assets:				
Cash and investments	\$ 623,507	\$ 103,729	\$ 2,330,517	\$ -
Receivables:				
Accounts	8,642	-	-	-
Notes and loans	-	-	-	-
Accrued interest	257	-	1,706	-
Prepaid costs	-	-	-	-
Due from other governments	41,927	-	-	-
Advances to Successor Agency	-	-	-	-
Total Assets	\$ 674,333	\$ 103,729	\$ 2,332,223	\$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 154,328	\$ 103,729	\$ -	\$ -
Accrued liabilities	19,979	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	174,307	103,729	-	-
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	500,026	-	2,332,223	-
Unassigned	-	-	-	-
Total Fund Balances	500,026	-	2,332,223	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 674,333	\$ 103,729	\$ 2,332,223	\$ -

CITY OF SOUTH GATE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Ardine Assessment District</u>	
Assets:		
Cash and investments	\$ -	\$ 16,268,000
Receivables:		
Accounts	-	140,409
Notes and loans	-	2,696,977
Accrued interest	-	13,369
Prepaid costs	-	22,583
Due from other governments	-	4,658,581
Advances to Successor Agency	-	1,370,000
	<u>-</u>	<u>1,370,000</u>
Total Assets	<u>\$ -</u>	<u>\$ 25,169,919</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 779,455
Accrued liabilities	-	137,513
Unearned revenues	-	331,489
Due to other funds	26,088	4,042,130
	<u>26,088</u>	<u>4,042,130</u>
Total Liabilities	<u>26,088</u>	<u>5,290,587</u>
Deferred Inflows of Resources:		
Unavailable revenues	-	2,677,810
	<u>-</u>	<u>2,677,810</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>2,677,810</u>
Fund Balances:		
Nonspendable:		
Prepaid costs	-	22,583
Notes and loans	-	-
Advances to Successor Agency	-	1,370,000
Restricted for:		
Community development projects	-	3,573,694
Public safety	-	4,093,990
Public works	-	8,613,069
Unassigned	(26,088)	(471,814)
	<u>(26,088)</u>	<u>(471,814)</u>
Total Fund Balances	<u>(26,088)</u>	<u>17,201,522</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 25,169,919</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, 2015**

	Special Revenue Funds			
	Community Development Block Grant	Law Enforcement Grants	Asset Seizure	Air Quality Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,311,252	479,991	-	119,179
Charges for services	-	-	-	-
Use of money and property	121,617	1,577	7,255	470
Fines and forfeitures	-	-	1,256,713	-
Miscellaneous	-	-	-	-
Total Revenues	1,432,869	481,568	1,263,968	119,649
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	418,036	676,003	-
Community development	604,057	-	-	98,232
Public works	-	-	-	-
Capital outlay	-	-	414,250	-
Debt service:				
Principal retirement	500,000	-	-	19,911
Interest and fiscal charges	121,613	-	-	2,673
Total Expenditures	1,225,670	418,036	1,090,253	120,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	207,199	63,532	173,715	(1,167)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(437,199)	-	-	-
Total Other Financing Sources (Uses)	(437,199)	-	-	-
Net Change in Fund Balances	(230,000)	63,532	173,715	(1,167)
Fund Balances, Beginning of Year	1,600,000	769,002	3,087,741	253,628
Fund Balances, End of Year	\$ 1,370,000	\$ 832,534	\$ 3,261,456	\$ 252,461

CITY OF SOUTH GATE

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

(CONTINUED)

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Grants	Street Sweeping
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,565,162	3,384,041	5,121
Charges for services	-	-	-	689,600
Use of money and property	-	8,775	-	-
Fines and forfeitures	153,742	-	-	-
Miscellaneous	-	-	-	315
Total Revenues	153,742	2,573,937	3,384,041	695,036
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	265,383	-	-	-
Community development	-	-	177,517	-
Public works	-	2,173,186	-	553,577
Capital outlay	76,507	11,861	-	-
Debt service:				
Principal retirement	-	-	-	85,496
Interest and fiscal charges	-	-	-	2,779
Total Expenditures	341,890	2,185,047	177,517	641,852
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,148)	388,890	3,206,524	53,184
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(775,864)	(3,206,524)	-
Total Other Financing Sources (Uses)	-	(775,864)	(3,206,524)	-
Net Change in Fund Balances	(188,148)	(386,974)	-	53,184
Fund Balances, Beginning of Year	(257,578)	3,700,882	-	57,680
Fund Balances, End of Year	\$ (445,726)	\$ 3,313,908	\$ -	\$ 110,864

CITY OF SOUTH GATE

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			
	Prop "A" Transit	UDAG	Prop "C" Transit	Public Access Corporation
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,564,052	258,468	1,400,614	-
Charges for services	215,770	-	-	-
Use of money and property	34,436	1,834	6,298	608
Fines and forfeitures	-	-	-	-
Miscellaneous	11,273	-	-	-
Total Revenues	2,825,531	260,302	1,406,912	608
Expenditures:				
Current:				
General government	-	-	-	68,077
Public safety	-	-	-	-
Community development	2,016,626	257,161	-	-
Public works	-	-	325,502	-
Capital outlay	439,651	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	2,456,277	257,161	325,502	68,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	369,254	3,141	1,081,410	(67,469)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(956,754)	-
Total Other Financing Sources (Uses)	-	-	(956,754)	-
Net Change in Fund Balances	369,254	3,141	124,656	(67,469)
Fund Balances, Beginning of Year	1,851,775	898,208	2,231,392	288,907
Fund Balances, End of Year	\$ 2,221,029	\$ 901,349	\$ 2,356,048	\$ 221,438

CITY OF SOUTH GATE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

(CONTINUED)

	Special Revenue Funds			Capital Projects Fund
	Street Light & Landscaping	American Recovery and Reinvestment Act	Measure R Transit	Bike Way
Revenues:				
Taxes	\$ 2,028,615	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,046,703	120,000
Charges for services	-	-	-	-
Use of money and property	706	-	4,675	-
Fines and forfeitures	-	-	-	-
Miscellaneous	86,529	-	-	-
Total Revenues	2,115,850	-	1,051,378	120,000
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	1,812,636	-	1,294	-
Capital outlay	29,444	628,499	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,842,080	628,499	1,294	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	273,770	(628,499)	1,050,084	120,000
Other Financing Sources (Uses):				
Transfers in	-	628,499	-	-
Transfers out	(85,754)	-	(324,838)	(120,000)
Total Other Financing Sources (Uses)	(85,754)	628,499	(324,838)	(120,000)
Net Change in Fund Balances	188,016	-	725,246	-
Fund Balances, Beginning of Year	312,010	-	1,606,977	-
Fund Balances, End of Year	\$ 500,026	\$ -	\$ 2,332,223	\$ -

CITY OF SOUTH GATE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Debt Service Fund	
	Ardine Assessment District	Total Nonmajor Governmental Funds
Revenues:		
Taxes	\$ -	\$ 2,028,615
Intergovernmental	-	13,254,583
Charges for services	-	905,370
Use of money and property	-	188,251
Fines and forfeitures	-	1,410,455
Miscellaneous	-	98,117
Total Revenues	-	17,885,391
Expenditures:		
Current:		
General government	1,070	69,147
Public safety	-	1,359,422
Community development	-	3,153,593
Public works	-	4,866,195
Capital outlay	-	1,600,212
Debt service:		
Principal retirement	30,000	635,407
Interest and fiscal charges	938	128,003
Total Expenditures	32,008	11,811,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,008)	6,073,412
Other Financing Sources (Uses):		
Transfers in	-	628,499
Transfers out	-	(5,906,933)
Total Other Financing Sources (Uses)	-	(5,278,434)
Net Change in Fund Balances	(32,008)	794,978
Fund Balances, Beginning of Year	5,920	16,406,544
Fund Balances, End of Year	\$ (26,088)	\$ 17,201,522

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ -
Resources (Inflows):				
Intergovernmental	1,541,687	1,666,189	1,311,252	(354,937)
Use of money and property	211,075	250,281	121,617	(128,664)
Transfers in	293,014	293,014	-	(293,014)
Amounts Available for Appropriations	3,645,776	3,809,484	3,032,869	(776,615)
Charges to Appropriations (Outflow):				
Community development	836,221	886,221	604,057	282,164
Capital outlay	364,286	-	-	-
Debt service:				
Principal retirement	230,000	230,000	500,000	(270,000)
Interest and fiscal charges	63,014	63,014	121,613	(58,599)
Transfers out	402,270	1,448,471	437,199	1,011,272
Total Charges to Appropriations	1,895,791	2,627,706	1,662,869	964,837
Budgetary Fund Balance, June 30	\$ 1,749,985	\$ 1,181,778	\$ 1,370,000	\$ 188,222

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 LAW ENFORCEMENT GRANTS
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 769,002	\$ 769,002	\$ 769,002	\$ -
Resources (Inflows):				
Intergovernmental	172,296	175,120	479,991	304,871
Use of money and property	250	250	1,577	1,327
Amounts Available for Appropriations	941,548	944,372	1,250,570	306,198
Charges to Appropriations (Outflow):				
Public safety	684,605	686,666	418,036	268,630
Total Charges to Appropriations	684,605	686,666	418,036	268,630
Budgetary Fund Balance, June 30	\$ 256,943	\$ 257,706	\$ 832,534	\$ 574,828

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
ASSET SEIZURE
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$3,087,741	\$ 3,087,741	\$ 3,087,741	\$ -
Resources (Inflows):				
Use of money and property	4,000	4,000	7,255	3,255
Fines and forfeitures	1,320,991	1,320,991	1,256,713	(64,278)
Miscellaneous	3,213	3,213	-	(3,213)
Transfers in	350,000	-	-	-
Amounts Available for Appropriations	4,765,945	4,415,945	4,351,709	(64,236)
Charges to Appropriations (Outflow):				
Public safety	745,649	745,649	676,003	69,646
Capital outlay	547,886	547,886	414,250	133,636
Transfers out	10,000	10,000	-	10,000
Total Charges to Appropriations	1,303,535	1,303,535	1,090,253	213,282
Budgetary Fund Balance, June 30	\$3,462,410	\$ 3,112,410	\$ 3,261,456	\$ 149,046

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 253,628	\$ 253,628	\$ 253,628	\$ -
Resources (Inflows):				
Intergovernmental	116,900	116,900	119,179	2,279
Use of money and property	400	400	470	70
Amounts Available for Appropriations	370,928	370,928	373,277	2,349
Charges to Appropriations (Outflow):				
Community development	199,713	199,713	98,232	101,481
Debt service:				
Principal retirement	18,700	18,700	19,911	(1,211)
Interest and fiscal charges	3,900	3,900	2,673	1,227
Total Charges to Appropriations	222,313	222,313	120,816	101,497
Budgetary Fund Balance, June 30	\$ 148,615	\$ 148,615	\$ 252,461	\$ 103,846

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (257,578)	\$ (257,578)	\$ (257,578)	\$ -
Resources (Inflows):				
Fines and forfeitures	600,000	600,000	153,742	(446,258)
Amounts Available for Appropriations	342,422	342,422	(103,836)	(446,258)
Charges to Appropriations (Outflow):				
Public safety	339,639	339,639	265,383	74,256
Capital outlay	77,347	77,347	76,507	840
Total Charges to Appropriations	416,986	416,986	341,890	75,096
Budgetary Fund Balance, June 30	\$ (74,564)	\$ (74,564)	\$ (445,726)	\$ (371,162)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$3,700,882	\$ 3,700,882	\$ 3,700,882	\$ -
Resources (Inflows):				
Intergovernmental	2,317,384	2,317,384	2,565,162	247,778
Use of money and property	15,000	15,000	8,775	(6,225)
Amounts Available for Appropriations	6,033,266	6,033,266	6,274,819	241,553
Charges to Appropriations (Outflow):				
Public works	2,580,864	2,575,864	2,173,186	402,678
Capital outlay	4,400	9,400	11,861	(2,461)
Transfers out	2,286,423	2,438,932	775,864	1,663,068
Total Charges to Appropriations	4,871,687	5,024,196	2,960,911	2,063,285
Budgetary Fund Balance, June 30	\$1,161,579	\$ 1,009,070	\$ 3,313,908	\$ 2,304,838

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 GRANTS
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	11,176,752	15,151,877	3,384,041	(11,767,836)
Amounts Available for Appropriations	11,176,752	15,151,877	3,384,041	(11,767,836)
Charges to Appropriations (Outflow):				
Community development	143,491	197,413	177,517	19,896
Transfers out	11,033,261	13,844,583	3,206,524	10,638,059
Total Charges to Appropriations	11,176,752	14,041,996	3,384,041	10,657,955
Budgetary Fund Balance, June 30	\$ -	\$ 1,109,881	\$ -	\$ (1,109,881)

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
STREET SWEEPING
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 57,680	\$ 57,680	\$ 57,680	\$ -
Resources (Inflows):				
Intergovernmental	-	-	5,121	5,121
Charges for services	625,000	625,000	689,600	64,600
Miscellaneous	-	-	315	315
Amounts Available for Appropriations	682,680	682,680	752,716	70,036
Charges to Appropriations (Outflow):				
Public works	595,032	595,032	553,577	41,455
Debt service:				
Principal retirement	-	85,496	85,496	-
Interest and fiscal charges	-	2,779	2,779	-
Total Charges to Appropriations	595,032	683,307	641,852	41,455
Budgetary Fund Balance, June 30	\$ 87,648	\$ (627)	\$ 110,864	\$ 111,491

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 PROP "A" TRANSIT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,851,775	\$ 1,851,775	\$ 1,851,775	\$ -
Resources (Inflows):				
Intergovernmental	2,367,498	2,367,498	2,564,052	196,554
Charges for services	170,344	170,344	215,770	45,426
Use of money and property	2,500	2,500	34,436	31,936
Miscellaneous	8,000	8,000	11,273	3,273
Amounts Available for Appropriations	4,400,117	4,400,117	4,677,306	277,189
Charges to Appropriations (Outflow):				
Community development	1,974,475	1,974,475	2,016,626	(42,151)
Capital outlay	581,652	521,652	439,651	82,001
Transfers out	-	10,000	-	10,000
Total Charges to Appropriations	2,556,127	2,506,127	2,456,277	49,850
Budgetary Fund Balance, June 30	\$ 1,843,990	\$ 1,893,990	\$ 2,221,029	\$ 327,039

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 UDAG
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 898,208	\$ 898,208	\$ 898,208	\$ -
Resources (Inflows):				
Intergovernmental	-	118,779	258,468	139,689
Use of money and property	-	-	1,834	1,834
Amounts Available for Appropriations	898,208	1,016,987	1,158,510	141,523
Charges to Appropriations (Outflow):				
Community development	460,005	578,784	257,161	321,623
Transfers out	293,014	293,014	-	293,014
Total Charges to Appropriations	753,019	871,798	257,161	614,637
Budgetary Fund Balance, June 30	\$ 145,189	\$ 145,189	\$ 901,349	\$ 756,160

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 PROP "C" TRANSIT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$2,231,392	\$ 2,231,392	\$ 2,231,392	\$ -
Resources (Inflows):				
Intergovernmental	1,270,587	1,270,587	1,400,614	130,027
Use of money and property	3,500	3,500	6,298	2,798
Amounts Available for Appropriations	3,505,479	3,505,479	3,638,304	132,825
Charges to Appropriations (Outflow):				
Public works	680,932	680,932	325,502	355,430
Transfers out	1,151,534	2,648,298	956,754	1,691,544
Total Charges to Appropriations	1,832,466	3,329,230	1,282,256	2,046,974
Budgetary Fund Balance, June 30	\$1,673,013	\$ 176,249	\$ 2,356,048	\$ 2,179,799

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 PUBLIC ACCESS CORPORATION
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 288,907	\$ 288,907	\$ 288,907	\$ -
Resources (Inflows):				
Use of money and property	-	-	608	608
Miscellaneous	32,967	32,967	-	(32,967)
Amounts Available for Appropriations	321,874	321,874	289,515	(32,359)
Charges to Appropriations (Outflow):				
General government	114,175	114,175	68,077	46,098
Total Charges to Appropriations	114,175	114,175	68,077	46,098
Budgetary Fund Balance, June 30	\$ 207,699	\$ 207,699	\$ 221,438	\$ 13,739

CITY OF SOUTH GATE

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHT & LANDSCAPING
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 312,010	\$ 312,010	\$ 312,010	\$ -
Resources (Inflows):				
Taxes	2,000,000	2,000,000	2,028,615	28,615
Use of money and property	-	-	706	706
Miscellaneous	-	85,754	86,529	775
Amounts Available for Appropriations	2,312,010	2,397,764	2,427,860	30,096
Charges to Appropriations (Outflow):				
Public works	2,990,454	2,988,374	1,812,636	1,175,738
Capital outlay	56,900	58,980	29,444	29,536
Transfers out	73,663	159,417	85,754	73,663
Total Charges to Appropriations	3,121,017	3,206,771	1,927,834	1,278,937
Budgetary Fund Balance, June 30	\$ (809,007)	\$ (809,007)	\$ 500,026	\$ 1,309,033

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 AMERICAN RECOVERY AND REINVESTMENT ACT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Transfers in	2,577,443	2,583,183	628,499	(1,954,684)
Amounts Available for Appropriations	2,577,443	2,583,183	628,499	(1,954,684)
Charges to Appropriations (Outflow):				
Capital outlay	2,577,443	2,341,873	628,499	1,713,374
Total Charges to Appropriations	2,577,443	2,341,873	628,499	1,713,374
Budgetary Fund Balance, June 30	\$ -	\$ 241,310	\$ -	\$ (241,310)

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 MEASURE R TRANSIT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,606,977	\$ 1,606,977	\$ 1,606,977	\$ -
Resources (Inflows):				
Intergovernmental	952,964	952,964	1,046,703	93,739
Use of money and property	2,000	2,000	4,675	2,675
Amounts Available for Appropriations	2,561,941	2,561,941	2,658,355	96,414
Charges to Appropriations (Outflow):				
Public works	-	-	1,294	(1,294)
Transfers out	1,290,977	886,878	324,838	562,040
Total Charges to Appropriations	1,290,977	886,878	326,132	560,746
Budgetary Fund Balance, June 30	\$ 1,270,964	\$ 1,675,063	\$ 2,332,223	\$ 657,160

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT FUND
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 832,030	\$ 832,030	\$ 832,030	\$ -
Resources (Inflows):				
Intergovernmental	100,000	190,000	79,078	(110,922)
Transfers in	14,210,981	20,623,206	5,214,406	(15,408,800)
Amounts Available for Appropriations	15,143,011	21,645,236	6,125,514	(15,519,722)
Charges to Appropriations (Outflow):				
Capital outlay	14,310,982	25,241,743	5,267,921	19,973,822
Transfers out	350,000	350,000	-	350,000
Total Charges to Appropriations	14,660,982	25,591,743	5,267,921	20,323,822
Budgetary Fund Balance, June 30	\$ 482,029	\$ (3,946,507)	\$ 857,593	\$ 4,804,100

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 BIKE WAY
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	98,812	120,000	120,000	-
Amounts Available for Appropriations	98,812	120,000	120,000	-
Charges to Appropriations (Outflow):				
Transfers out	-	120,000	120,000	-
Total Charges to Appropriations	-	120,000	120,000	-
Budgetary Fund Balance, June 30	\$ 98,812	\$ -	\$ -	\$ -

CITY OF SOUTH GATE

BUDGETARY COMPARISON SCHEDULE
 ARDINE ASSESSMENT DISTRICT
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,920	\$ 5,920	\$ 5,920	\$ -
Resources (Inflows):				
Intergovernmental	30,000	30,000	-	(30,000)
Use of money and property	1,000	1,000	-	(1,000)
Amounts Available for Appropriations	36,920	36,920	5,920	(31,000)
Charges to Appropriations (Outflow):				
General government	-	2,500	1,070	1,430
Debt service:				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	938	938	938	-
Total Charges to Appropriations	30,938	33,438	32,008	1,430
Budgetary Fund Balance, June 30	\$ 5,982	\$ 3,482	\$ (26,088)	\$ (29,570)

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.

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, 2015**

	Insurance	Information Systems	Fleet Management	Total
Assets:				
Current:				
Cash and investments	\$ 7,323,346	\$ 765,840	\$ 423,469	\$ 8,512,655
Receivables:				
Accrued interest	5,189	446	147	5,782
Prepaid costs	5,770	1,570	-	7,340
Due from other funds	28,345	12,625	1,476	42,446
Total Current Assets	7,362,650	780,481	425,092	8,568,223
Noncurrent:				
Capital assets - net of accumulated depreciation	-	371,788	81,130	452,918
Total Noncurrent Assets	-	371,788	81,130	452,918
Total Assets	7,362,650	1,152,269	506,222	9,021,141
Deferred Outflows of Resources:				
Deferred outflows of resources - pension plan	21,688	22,377	54,213	98,278
Total Deferred Outflows of Resources	21,688	22,377	54,213	98,278
Liabilities:				
Current:				
Accounts payable	18,506	34,846	85,922	139,274
Accrued liabilities	3,513	8,245	20,823	32,581
Accrued claims and judgments	1,760,000	-	-	1,760,000
Total Current Liabilities	1,782,019	43,091	106,745	1,931,855
Noncurrent:				
Accrued claims and judgments	7,031,047	-	-	7,031,047
Net pension liability	234,892	242,359	587,153	1,064,404
Total Noncurrent Liabilities	7,265,939	242,359	587,153	8,095,451
Total Liabilities	9,047,958	285,450	693,898	10,027,306
Deferred Inflows of Resources:				
Deferred inflows of resources - pension plan	81,031	83,606	202,549	367,186
Total Deferred Inflows of Resources	81,031	83,606	202,549	367,186
Net Position:				
Net investment in capital assets	-	371,788	81,130	452,918
Unrestricted	(1,744,651)	433,802	(417,142)	(1,727,991)
Total Net Position	\$ (1,744,651)	\$ 805,590	\$ (336,012)	\$ (1,275,073)

CITY OF SOUTH GATE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Insurance</u>	<u>Information Systems</u>	<u>Fleet Management</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 3,650,908	\$ 653,572	\$ 1,315,032	\$ 5,619,512
Miscellaneous	53,299	-	-	53,299
Total Operating Revenues	<u>3,704,207</u>	<u>653,572</u>	<u>1,315,032</u>	<u>5,672,811</u>
Operating Expenses:				
Personnel services	75,849	207,281	534,399	817,529
Contractual services	145,914	45,665	117,632	309,211
Administrative services	75,173	128,216	53,985	257,374
Repair and maintenance	-	47,527	9,853	57,380
Supplies	603	10,503	662,211	673,317
Insurance	1,548,383	-	-	1,548,383
Claims expense	2,736,152	-	-	2,736,152
Depreciation expense	-	53,982	51,984	105,966
Total Operating Expenses	<u>4,582,074</u>	<u>493,174</u>	<u>1,430,064</u>	<u>6,505,312</u>
Operating Income (Loss)	<u>(877,867)</u>	<u>160,398</u>	<u>(115,032)</u>	<u>(832,501)</u>
Nonoperating Revenues (Expenses):				
Interest revenue	14,219	1,223	402	15,844
Total Nonoperating Revenues (Expenses)	<u>14,219</u>	<u>1,223</u>	<u>402</u>	<u>15,844</u>
Changes in Net Position	<u>\$ (863,648)</u>	<u>\$ 161,621</u>	<u>\$ (114,630)</u>	<u>\$ (816,657)</u>
Net Position:				
Beginning of year, as originally reported	\$ (582,868)	\$ 951,581	\$ 523,857	\$ 892,570
Restatements	<u>(298,135)</u>	<u>(307,612)</u>	<u>(745,239)</u>	<u>(1,350,986)</u>
Beginning of year, as restated	(881,003)	643,969	(221,382)	(458,416)
Changes in net position	<u>(863,648)</u>	<u>161,621</u>	<u>(114,630)</u>	<u>(816,657)</u>
End of Fiscal Year	<u>\$ (1,744,651)</u>	<u>\$ 805,590</u>	<u>\$ (336,012)</u>	<u>\$ (1,275,073)</u>

CITY OF SOUTH GATE

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015**

	Insurance	Information Systems	Fleet Management	Total
Cash Flows from Operating Activities:				
Cash received from interfund service provided	\$ 3,704,207	\$ 653,572	\$ 1,315,032	\$ 5,672,811
Cash paid to suppliers for goods and services	(3,018,416)	(90,794)	(784,079)	(3,893,289)
Cash paid to employees for services	(153,586)	(338,639)	(595,811)	(1,088,036)
Net Cash Provided (Used) by Operating Activities	532,205	224,139	(64,858)	691,486
Cash Flows from Non-Capital Financing Activities:				
Payments received from other funds	(4,252)	-	-	(4,252)
Net Cash Provided (Used) by Non-Capital Financing Activities	(4,252)	-	-	(4,252)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(40,780)	-	(40,780)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(40,780)	-	(40,780)
Cash Flows from Investing Activities:				
Interest received	12,312	962	394	13,668
Net Cash Provided (Used) by Investing Activities	12,312	962	394	13,668
Net Increase (Decrease) in Cash and Cash Equivalents	540,265	184,321	(64,464)	660,122
Cash and Cash Equivalents at Beginning of Year	6,783,081	581,519	487,933	7,852,533
Cash and Cash Equivalents at End of Year	\$ 7,323,346	\$ 765,840	\$ 423,469	\$ 8,512,655
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (877,867)	\$ 160,398	\$ (115,032)	\$ (832,501)
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	112	(1,498)	-	(1,386)
(Increase) decrease in deferred outflows of resources - pension plan	(21,688)	(22,377)	(54,213)	(98,278)
Increase (decrease) in accounts payable	4,806	14,399	5,617	24,822
Increase (decrease) in accrued liabilities	1,336	882	2,323	4,541
Increase (decrease) in claims and judgments	1,407,718	-	-	1,407,718
Increase (decrease) in net pension liability	(63,243)	(65,253)	(158,086)	(286,582)
Increase (decrease) in deferred inflows of resources - pension plan	81,031	83,606	202,549	367,186
Total Adjustments	1,410,072	63,741	50,174	1,523,987
Net Cash Provided (Used) by Operating Activities	\$ 532,205	\$ 224,139	\$ (64,858)	\$ 691,486

Non-Cash Investing, Capital, and Financing Activities:
There was no noncash transactions during the year.

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, 2015

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2015</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 452,487	\$ 638,072	\$ 579,616	\$ 510,943
Total Assets	<u>\$ 452,487</u>	<u>\$ 638,072</u>	<u>\$ 579,616</u>	<u>\$ 510,943</u>
Liabilities:				
Accounts payable	\$ 175,839	\$ 87,831	\$ 259,382	\$ 4,288
Deposits payable	276,648	235,733	5,726	506,655
Total Liabilities	<u>\$ 452,487</u>	<u>\$ 323,564</u>	<u>\$ 265,108</u>	<u>\$ 510,943</u>

City of South Gate Statistical Section

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of South Gate
Net Position by Component
Last Ten 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>	<u>2015</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	\$ 225,811
Restricted	33,630	34,545	35,697	13,046	27,732	27,636	16,603	19,734	21,358	22,312
Unrestricted	(27,902)	(32,020)	(42,119)	(21,792)	(28,701)	(19,889)	9,355	10,889	13,875	(39,956)
Total governmental activities net position	\$ 29,965	\$ 214,007	\$ 220,943	\$ 216,232	\$ 219,580	\$ 233,491	\$ 249,133	\$ 254,085	\$ 262,492	\$ 208,167
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	\$ 43,963
Restricted	-	-	-	-	-	4,497	4,194	13,944	14,492	8,557
Unrestricted	(16,990)	(26,392)	(41,024)	(36,336)	(36,012)	(40,350)	(39,723)	(53,012)	(48,245)	(38,182)
Total business-type activities net position	\$ (7,352)	\$ (4,627)	\$ (2,276)	\$ (69)	\$ 1,200	\$ 2,260	\$ 3,561	\$ 5,745	\$ 11,071	\$ 14,338
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	\$ 269,774
Restricted	33,630	34,545	35,697	13,046	27,732	32,133	20,797	33,678	35,850	30,869
Unrestricted	(44,892)	(58,412)	(83,143)	(58,128)	(64,713)	(60,239)	(30,368)	(42,123)	(34,370)	(78,138)
Total primary government net position	\$ 22,613	\$ 209,380	\$ 218,667	\$ 216,163	\$ 220,780	\$ 235,751	\$ 252,694	\$ 259,830	\$ 273,563	\$ 222,505

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 TEN 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>	<u>2015</u>
Expenses										
Governmental activities:										
General government	\$ 3,885	\$ 9,623	\$ 8,961	\$ 6,294	\$ 5,425	\$ 7,314	\$ 5,917	\$ 5,591	\$ 4,648	\$ 6,830
Public works	5,872	22,006	22,402	20,976	14,034	13,291	15,255	15,504	15,988	15,753
Parks and recreation	3,970	4,655	1,760	5,608	4,739	4,552	4,963	5,174	5,454	6,155
Police	19,452	21,695	24,516	23,627	21,097	20,849	20,663	20,065	20,251	21,435
Community development	18,039	15,808	13,219	13,469	17,505	13,569	13,806	10,690	11,651	10,542
Interest expense	7,880	6,603	7,564	7,338	6,057	5,783	3,556	2,260	2,148	1,712
Total governmental activities expenses	59,098	80,390	78,422	77,312	68,857	65,358	64,160	59,284	60,140	62,427
Business-type activities:										
Sewer	1,296	1,043	1,591	1,251	1,405	1,483	1,508	1,496	1,591	1,543
Water	7,974	9,351	10,071	10,454	10,857	11,038	11,526	13,206	12,411	12,394
Refuse	2,628	3,156	3,268	3,417	3,267	3,276	3,860	3,499	3,498	3,433
Total business-type activities expenses	11,898	13,550	14,930	15,122	15,529	15,797	16,894	18,201	17,500	17,370
Total primary government expenses	\$ 70,996	\$ 93,940	\$ 93,352	\$ 92,434	\$ 84,386	\$ 81,155	\$ 81,054	\$ 77,485	\$ 77,640	\$ 79,797

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 TEN 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>	<u>2015</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	\$ 3,105
Public works	2,669	3,568	3,622	5,698	945	1,091	1,185	1,163	1,101	1,231
Parks and recreation	53	788	645	882	495	526	558	685	894	986
Police	932	3,557	2,009	962	2,919	3,045	3,231	2,656	3,445	3,262
Community development	235	-	1,832	1,440	3,102	4,863	3,777	3,229	4,171	2,888
Operating grants and contributions	18,585	12,527	24,736	21,649	14,876	19,363	13,640	14,777	16,363	13,527
Capital grants and contributions	777	6,265	1,959	1,348	4,598	6,144	5,201	3,993	4,696	3,811
Total governmental activities program revenues	29,276	34,347	41,729	34,508	30,092	38,191	30,749	29,535	33,772	28,810
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	1,388
Water	10,487	12,142	12,692	12,146	11,723	11,818	12,787	15,061	17,255	18,279
Refuse	2,694	2,919	3,114	3,192	3,179	3,390	3,359	3,550	3,673	3,714
Operating grants and contributions	7	37	65	-	36	43	548	54	64	57
Capital grants and contributions	-	14	-	-	-	-	-	-	-	-
Total business-type activities program revenues	14,537	16,469	17,225	16,883	16,300	16,702	18,191	20,150	22,505	23,438
Total primary government program revenues	\$ 43,813	\$ 50,816	\$ 58,954	\$ 51,391	\$ 46,392	\$ 54,893	\$ 48,940	\$ 49,685	\$ 56,277	\$ 52,248
Net (expense)/revenue										
Governmental activities	\$ (29,822)	\$ (46,043)	\$ (36,693)	\$ (42,804)	\$ (38,765)	\$ (27,167)	\$ (33,411)	\$ (29,749)	\$ (26,368)	\$ (33,617)
Business-type activities	2,639	2,919	2,295	1,761	771	905	1,297	1,949	5,005	6,068
Total primary government net expense	\$ (27,183)	\$ (43,124)	\$ (34,398)	\$ (41,043)	\$ (37,994)	\$ (26,262)	\$ (32,114)	\$ (27,800)	\$ (21,363)	\$ (27,549)

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 TEN 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>	<u>2015</u>
General Revenues and Other Changes in Position										
Governmental activities:										
Taxes										
Property taxes	\$ 17,003	\$ 18,682	\$ 19,587	\$ 20,209	\$ 21,443	\$ 21,156	\$ 17,371	\$ 13,346	\$ 12,834	\$ 13,301
Sales taxes	8,035	7,736	7,831	10,261	10,564	11,054	12,878	13,347	14,186	17,838
Transient occupancy taxes	267	271	234	234	223	278	230	250	278	267
Franchise taxes	2,907	2,368	2,342	2,264	1,995	2,032	1,980	2,031	2,228	2,287
Other taxes	644	3,791	3,601	3,347	1,778	1,786	1,880	1,745	1,862	2,006
Investment income	2,446	6,160	4,924	3,345	3,356	3,366	2,704	2,638	2,487	1,784
Motor vehicle in-lieu	1,406	631	453	349	301	521	53	44	-	42
Lawsuit settlements	8,905	2,203	(434)	871	-	-	-	-	-	-
Gain on sale of land	511	5,205	2,259	-	-	-	-	-	-	-
Miscellaneous	951	702	466	(3,314)	1,322	532	378	2,081	832	1,538
Transfers	(1,117)	192	675	365	209	354	450	51	95	-
Extraordinary gain/(loss) on dissolution of redevelopment agency	-	-	-	-	-	-	26,432	-	-	-
Total governmental activities	41,958	47,941	41,938	37,931	41,191	41,079	64,356	35,533	34,802	39,063
Business-type activities:										
Investment income	335	-	663	74	270	255	242	142	118	127
Miscellaneous	-	-	66	738	436	253	212	731	298	532
Transfers	1,117	(192)	(675)	(365)	(209)	(354)	(450)	(51)	(95)	-
Total business-type activities	1,452	(192)	54	447	497	154	4	822	321	659
Total primary government	\$ 43,410	\$ 47,749	\$ 41,992	\$ 38,378	\$ 41,688	\$ 41,233	\$ 64,360	\$ 36,355	\$ 35,123	\$ 39,722
Change in Net Position										
Governmental activities	\$ 12,136	\$ 1,898	\$ 5,245	\$ (4,873)	\$ 2,426	\$ 13,912	\$ 30,944	\$ 4,951	\$ 8,434	\$ 5,447
Business-type activities	4,092	2,727	2,349	2,208	1,268	1,060	1,301	2,184	5,326	6,726
Total primary government	\$ 16,228	\$ 4,625	\$ 7,594	\$ (2,665)	\$ 3,694	\$ 14,972	\$ 32,245	\$ 7,135	\$ 13,760	\$ 12,173

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>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>2015</u>
General fund										
Reserved	\$ 52,754	\$ 46,974	\$ 45,162	\$ 43,151	\$ 41,782	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	15,594	17,264	1,739	(132)	(45)	39,714	38,089	36,768	36,339	14,330
Nonspendable	-	-	-	-	-	-	-	-	280	391
Restricted	-	-	-	-	-	-	-	-	1,000	1,000
Committed	-	-	-	-	-	-	-	-	134	3,452
Assigned	-	-	-	-	-	4,716	7,216	11,136	12,691	23,146
Unassigned	-	-	-	-	-	44,430	45,305	47,904	50,444	42,319
Total general fund	\$ 68,348	\$ 64,238	\$ 46,901	\$ 43,019	\$ 41,737	\$ 44,430	\$ 45,305	\$ 47,904	\$ 50,444	\$ 42,319
All other governmental funds										
Reserved	\$ 9,088	\$ 13,567	\$ 19,005	\$ 10,721	\$ 11,272	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	14,596	13,483	11,216	12,923	10,411	-	-	-	-	-
Capital project funds	(2,311)	(7,520)	-	691	6,096	-	-	-	-	-
Debt service funds	(19,611)	(11,377)	(8,805)	(7,996)	(12,013)	-	-	-	-	-
Nonspendable	-	-	-	-	-	7,399	4,726	4,479	4,274	3,828
Restricted										
Restricted, reported in:										
Special Revenue funds	-	-	-	-	-	16,089	13,147	14,557	15,041	16,281
Capital projects funds	-	-	-	-	-	4,228	916	750	655	858
Low and moderate housing activities	-	-	-	-	-	-	-	-	1,146	955
Unassigned										
Unassigned, reported in:										
Special Revenue funds	-	-	-	-	-	-	-	-	-	-
Special Revenue funds	-	-	-	-	-	(215)	(257)	(323)	(295)	(472)
Debt service funds	-	-	-	-	-	(11,962)	-	-	-	-
Total all other governmental funds	\$ 1,762	\$ 8,153	\$ 21,416	\$ 16,339	\$ 15,766	\$ 15,539	\$ 18,532	\$ 19,463	\$ 20,821	\$ 21,450

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>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>2015</u>
Revenues										
Taxes	\$ 28,620	\$ 31,612	\$ 33,009	\$ 33,822	\$ 37,547	\$ 36,329	\$ 33,956	\$ 30,855	\$ 31,279	\$ 35,065
Intergovernmental	15,365	16,452	20,006	25,013	19,777	23,812	21,378	20,733	23,835	18,920
Charges for service	4,794	5,248	2,977	2,881	5,342	5,357	5,213	5,672	5,708	5,968
Fines and forfeitures	2,354	3,152	2,916	4,301	2,530	2,660	2,940	2,135	2,915	2,477
Licenses and permits	1,116	1,480	1,663	1,438	1,073	963	1,030	1,025	1,468	1,322
Investment income	3,818	3,888	3,059	2,474	3,339	3,344	2,975	2,630	2,474	1,768
Lease income	-	1,291	2,730	2,353	-	-	-	-	-	-
Rental income	1,233	356	334	317	-	-	-	-	-	-
Lawsuit settlements	3,225	8,905	1,900	14	-	-	-	-	-	-
Other	1,477	1,584	3,377	3,028	1,459	577	1,345	2,137	841	1,802
Total revenues	62,002	73,968	71,971	75,641	71,067	73,042	68,837	65,187	68,520	67,322
Expenditures										
General government	5,218	4,787	6,139	6,213	5,347	5,259	5,436	5,154	4,889	5,568
Public works	7,874	7,742	17,956	24,662	7,642	7,130	7,708	8,250	8,602	7,764
Parks and recreation	4,298	3,828	4,267	4,407	4,237	4,022	4,355	4,616	4,890	5,593
Police	17,380	17,155	21,327	24,068	20,066	18,842	19,158	19,456	19,344	20,430
Community development	14,965	15,280	15,087	12,530	17,512	13,537	13,780	10,333	11,608	10,533
Capital Outlay	-	-	-	-	8,362	12,118	7,325	8,467	10,531	7,066
Debt service:										
Principal	3,307	3,049	3,365	3,683	4,355	4,648	4,569	2,799	2,686	16,251
Interest and fees	5,912	7,298	6,947	6,959	6,028	5,717	4,050	2,281	2,141	1,613
Bond issuance costs	836	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	850	-	-	-	-	-	-	-	-	-
Total expenditures	60,640	59,139	75,088	82,522	73,549	71,273	66,381	61,356	64,691	74,818
Excess of revenues over (under) expenditures	1,362	14,829	(3,117)	(6,881)	(2,482)	1,769	2,456	3,831	3,829	(7,496)

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>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>2015</u>
<u>Other financing sources (uses)</u>										
Transfers in	\$ 7,984	\$ 15,456	\$ 30,046	\$ 13,443	\$ 14,822	\$ 15,871	\$ 5,509	\$ 8,053	\$ 10,067	\$ 6,061
Transfers out	(15,891)	(15,264)	(29,498)	(13,252)	(14,603)	(15,345)	(5,094)	(8,001)	(9,972)	(6,061)
Proceeds from sale of land	511	5,205	2,259	-	-	-	-	-	-	-
Write-offs	-	-	-	(3,461)	-	-	-	-	-	-
Pension contribution	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	407	171	-	-	-	-
Debt issued	1,425	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	-
Contributions to Successor Agency	-	-	-	-	-	-	-	(353)	-	-
Total other financing sources (uses)	(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	\$ (4,609)	\$ 20,226	\$ (310)	\$ (10,151)	\$ (1,856)	\$ 2,466	\$ 3,868	\$ 3,530	\$ 3,924	\$ (7,496)
Debt service as a percentage of noncapital expenditures	18.0%	17.5%	13.7%	12.9%	15.9%	17.5%	14.6%	9.6%	8.9%	26.4%

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>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>2015</u>
Property tax	\$ 17,002	\$ 18,682	\$ 19,587	\$ 20,209	\$ 21,443	\$ 21,156	\$ 17,371	\$ 13,346	\$ 12,834	\$ 13,301
Sales and use tax	8,035	7,735	7,831	10,261	10,564	11,054	12,877	13,347	14,186	17,838
Transient occupancy tax	267	271	234	234	223	278	229	250	278	267
Franchise tax	2,907	2,367	2,342	2,264	1,995	2,032	1,979	2,031	2,228	2,287
Motor vehicle in-lieu	1,406	631	453	349	302	521	53	43	-	-
Total	\$ 29,617	\$ 29,686	\$ 30,447	\$ 33,317	\$ 34,527	\$ 35,041	\$ 32,509	\$ 29,017	\$ 29,526	\$ 33,693

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502	0.04809
Compton Community College District	0.02051	0.01975	0.01766	0.01262	0.01296	0.01487	0.01481	0.01531	0.00963	0.00987
County Detention Facilities 1987 Debt	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603	0.06549
LA Community College District	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.0353	0.04875	0.04454	0.04017
LA County Flood Control	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Los Angeles Unified School District	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819	0.17561	0.14644	0.14688
Lynwood Unified School District	0.04827	0.04317	0.04370	0.04498	0.04359	0.04945	0.05171	0.05059	0.12005	0.08489
Metropolitan Water District	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
Paramount Unified School District	0.05038	0.04750	0.09928	0.10826	0.11336	0.08384	0.10343	0.10930	0.10457	0.10105
Total Direct & Overlapping ** Tax Rates	1.32528	1.32950	1.38367	1.38490	1.43274	1.47607	1.46221	1.50032	1.51978	1.49994

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
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate****	1.00615	1.00549	1.00454	1.00436	1.00430	1.00370	1.00370	1.00370	1.00370	1.00370
Total Direct Rate*****	0.25797	0.24929	0.24713	0.24958	0.25616	0.25692	0.25454	0.25454	0.06078	0.06081

Notes:

*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 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.

Source: L. A. County Assessor 2005/069 - 2014/15 Tax Rate Table

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

<u>Type of Property</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>2015</u>
Residential	\$ 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	\$ 3,360,338
Commercial	371,753	395,226	444,779	478,313	479,417	472,304	478,978	485,760	495,030	502,898
Industrial	534,734	520,640	557,494	576,183	600,356	564,224	575,910	572,896	586,502	627,907
Other	366,926	411,216	391,475	433,948	442,176	444,219	429,336	434,580	432,613	462,382
Tax-Exempt	(45,336)	-	-	-	-	-	(59,538)	(54,662)	(48,602)	(47,025)
Total taxable A.V.	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	4,953,525
Total direct tax rate	0.25983%	0.24940%	0.24715%	0.24933%	0.24933%	0.25692%	0.25454%	0.26745%	0.60780%	0.60810%

Source: Los Angeles County Assessor

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

	2015				2006			
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value		Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	
Schultz Steel Company	\$ 107,127	1	2.16%		\$ 93,938	1	2.41%	
Tesoro Logistics Operations LLC	67,472	2	1.36%					
El Paseo South Gate LLC	54,873	3	1.11%		48,257	2	1.24%	
Azalea Joint Venture LLC	31,363	4	0.63%					
South Gate Business & Industrial Park	31,175	5	0.63%		27,224	4	0.70%	
Armstrong Cork Company	27,788	6	0.56%		27,099	5	0.69%	
Hudd Distribution Services Inc.	25,663	7	0.52%		24,481	6	0.63%	
World Oil Company	24,056	8	0.49%		18,493	9	0.47%	
Rockview Dairies Inc.	21,083	9	0.43%		22,321	7	0.57%	
Wal Mart Real Estate Business Trust/Sams	18,455	10	0.37%					
BP West Coast Products LLC					38,797	3	0.99%	
Hon Industries Inc.					21,072	8	0.54%	
Koos Manufacturing Inc.					18,066	10	0.46%	
	<u>\$ 409,055</u>		<u>8.26%</u>		<u>\$ 339,748</u>		<u>8.70%</u>	

Source: Los Angeles County Assessor and HdL Companies

City Total Assessed Valuation

4,953,525

3,902,252

**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>
2015	\$ 2,329	\$ 2,443	104.89%	N/A	N/A	N/A
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

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	Revenue Bonds			
2015	-	18,460	-	-	221	2,220	41,251	\$ 62,152	N/A	\$ 647
2014	-	19,425	14,395	30	582	2,720	42,491	79,643	0.01%	\$ 829
2013	-	20,345	15,315	60	927	3,190	43,534	83,371	0.01%	877
2012	-	21,220	16,185	85	1,516	3,630	34,463	77,099	0.01%	817
2011	25,115	22,055	17,010	110	2,085	4,045	35,416	105,836	0.01%	1,118
2010	38,570	22,845	18,095	130	2,445	4,435	36,320	122,840	0.01%	1,205
2009	40,330	23,600	19,130	150	2,444	4,821	37,177	127,652	0.01%	1,247
2008	42,030	24,100	20,130	170	2,831	5,197	37,988	132,446	0.01%	1,298
2007	44,738	24,400	20,523	185	3,201	5,566	39,100	137,713	0.01%	1,360
2006	45,260	24,400	22,005	200	3,554	6,063	39,850	141,332	0.01%	1,396
2005	46,800	24,400	22,895	215	2,299	6,538	39,920	143,067	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 2015**

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
Direct Debt			
264.01 2005 PENSION OBLIGATION BONDS	18,460,000	100.000	18,460,000
264.01 CAPITAL LEASE OBLIGATIONS	220,694	100.000	220,694
264.01 CLAIMS AND JUDGMENTS	6,493,329	100.000	6,493,329
264.01 COMPENSATED ABSENCES	2,145,138	100.000	2,145,138
264.01 NOTES PAYABLE	2,220,000	100.000	2,220,000
264.01 OPEB	3,827,242	100.000	3,827,242
Total Direct Debt			33,366,403
Overlapping Debt			
*315.05 METROPOLITAN WATER DISTRICT	53,296,395	0.394	209,890
790.50 CERRITOS CC DS 2004 SERIES 2004A	50,000	1.184	592
790.51 CERRITOS CC DS 2005 REFUNDING BONDS	488,591	1.184	5,784
790.53 CERRITOS CC DS 2004 SERIES 2009C	5,115,000	1.184	60,556
790.54 CERRITOS CC DS 2004 SERIES 2012D	82,591,432	1.184	977,786
790.55 CERRITOS CC DS 2012 SERIES 2014A	198,370,000	1.184	2,348,468
793.51 COMPTON CCD DS 2002 SERIES 2008A	13,270,000	2.364	313,672
793.52 COMPTON CCD DS 2002 SERIES 2012C	14,855,063	2.364	351,139
793.53 COMPTON CCD DS 2012 REF BONDS	14,200,000	2.364	335,655
793.54 COMPTON CCD DS 2002 SERIES 2013D	16,554,972	2.364	391,321
793.55 COMPTON CCD DS 2014 REF	16,745,000	2.364	395,813
805.55 LA CCD DS 2003 TAXABLE SERIES 2004B	2,115,000	0.618	13,066
805.56 LA CCD DS 2001 TAXABLE SERIES 2004A	31,555,000	0.618	194,941
805.57 LA CCD DS REFUNDING 2001 SERIES 2005A	18,140,000	0.618	112,066
805.58 LA CCD DS 2001, 2006 SERIES B	20,360,000	0.618	125,781
805.59 LA CCD DS 2003, 2006 SERIES C	10,265,000	0.618	63,415
805.60 LA CCD DS 2001, 2008 SER E-1	26,160,000	0.618	161,612
805.62 LA CCD DS 2003, 2008 SER F-1	25,525,000	0.618	157,689
805.64 LA CCD DS 2008, 2009 TAXABLE SER A	75,000,000	0.618	463,337
805.65 LA CCD DS 2008, 2009 TAXABLE SER B	175,000,000	0.618	1,081,120
805.66 LA CCD DS 2008, 2010 TAX SERIES D	125,000,000	0.618	772,228
805.67 LA CCD DS 2008, 2010 TAX SER E (BABS)	900,000,000	0.618	5,560,044
805.70 LA CCD DS 2013 REF BONDS	268,075,000	0.618	1,656,121
805.71 LA CCD DS 2008 SERIES G	2,205,070,000	0.618	13,622,540
853.53 DOWNEY USD DS REFUNDING 1999 SERIES A	8,165,256	4.522	369,231
853.59 DOWNEY USD DS 2006 REFUNDING BONDS	7,945,000	4.522	359,271
853.60 DOWNEY USD DS 2007 REF BDS	19,000,000	4.522	859,175
853.61 DOWNEY USD DS 2011 REFUNDING BONDS	10,000,000	4.522	452,197
853.62 DOWNEY USD DS 2012 REF BONDS	17,110,000	4.522	773,710
887.51 LOS ANGELES UNIF DS 1997 SERIES A	17,500,000	0.765	133,921
887.56 LOS ANGELES UNIF DS 2002 REF BOND	98,160,000	0.765	751,180
887.65 LOS ANGELES UNIF DS 2004 SERIES E	100,070,000	0.765	765,797

**City of South Gate
Direct & Overlapping Debt
(CONTINUED)**

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
Overlapping Debt (Continued)			
887.68 LOS ANGELES UNIF DS 2004 SERIES F	73,960,000	0.765	565,987
887.70 LOS ANGELES UNIF DS 2005 SERIES A (2006)	124,290,000	0.765	951,143
887.71 LOS ANGELES UNIF DS 2005 SERIES B (2006)	1,861,670,000	0.765	14,246,636
887.72 LOS ANGELES UNIF DS 2005 SERIES C (2006)	283,220,000	0.765	2,167,372
887.74 LOS ANGELES UNIF DS 2004 SERIES G (2006)	446,535,000	0.765	3,417,159
887.78 LOS ANGELES UNIF DS 2002 SERIES B (2007)	800,305,000	0.765	6,124,423
887.80 LOS ANGELES UNIF DS 2002 SERIES C	123,575,000	0.765	945,671
887.81 LOS ANGELES UNIF DS 2004 SERIES H	485,155,000	0.765	3,712,702
887.82 LOS ANGELES UNIF DS 2005 SERIES E	81,360,000	0.765	622,616
887.91 LAUSD MEASURE R SERIES 2009	346,065,000	0.765	2,648,301
887.92 LAUSD MEASURE R SERIES KRY BABS	200,000,000	0.765	1,530,522
887.93 LAUSD MEASURE Y 2009 SERIES KRY BABS	363,005,000	0.765	2,777,936
887.98 LAUSD MEASURE R 2010 SERIES RY BABS	806,795,000	0.765	6,174,088
887.99 LAUSD MEASURE Y 2010 SERIES RY BABS	1,250,585,000	0.765	9,570,240
888.55 LOS ANGELES UNIF DS 2010 SERIES QSCBS	608,995,000	0.765	4,660,402
888.60 LOS ANGELES UNIF DS 2014 REF BOND SERIES A	141,345,000	0.765	1,081,658
888.61 LOS ANGELES UNIF DS 2014 REF BOND SERIES B	1,622,200,000	0.765	12,414,065
888.62 LOS ANGELES UNIF DS 2014 REF BOND SERIES C	135,830,000	0.765	1,039,454
888.63 LOS ANGELES UNIF DS 2014 REF BOND SERIES D	326,045,000	0.765	2,495,096
891.50 LYNWOOD USD DS 2002 SERIES A	1,558,468	0.850	13,248
891.51 LYNWOOD USD DS 2012 REF BONDS	14,590,000	0.850	124,022
891.52 LYNWOOD USD DS 2012 SERIES A	15,000,000	0.850	127,507
891.53 LYNWOOD USD DS 2012 SERIES B	10,655,000	0.850	90,573
907.50 PARAMOUNT USD DS 2005 REFUNDING BOND	9,954,976	7.761	772,650
907.52 PARAMOUNT USD DS 2006 SERIES 2007	1,355,000	7.761	105,168
907.53 PARAMOUNT USD DS 2006, SERIES 2011 BONDS	33,854,316	7.761	2,627,583
907.54 PARAMOUNT USD DS 2006 2013 SERIES C	71,173,515	7.761	5,524,091
Total Overlapping Debt			120,369,434
Total Direct and Overlapping Debt			153,735,837

2014/15 Assessed Valuation: \$3,829,734,335 After Deducting \$1,123,790,987 Incremental Value.

Debt To Assessed Valuation Ratios:	Direct Debt	0.87%
Overlapping Debt	3.14%	
Total Debt	4.01%	

*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.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Data Source: HdL Coren & Cone, L. A. County Assessor and Auditor Combined 2014/15 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>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>2015</u>
Debt Limit	\$ 592,138	\$ 638,902	\$ 693,869	\$ 733,922	\$ 711,913	\$ 686,435	\$ 697,223	\$ 708,842	\$ 728,496	\$ 759,572
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	592,138	638,902	693,869	733,922	711,913	686,435	697,223	708,842	728,496	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	\$ 5,008,669
Add back: exempt real property	55,144
Total assessed value	<u>\$ 5,063,813</u>
Debt limit (15% of total assessed value)	\$ 759,572
Debt applicable to limit:	-
Legal debt margin	<u>\$ 759,572</u>

Source: L.A. County Assessor 2014/15 Combined Tax Rolls
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
PLEGGED 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	
2015	\$ 18,482,654	\$ 8,619,311	\$ 9,863,343	1,595,000	1,541,800	\$ 3,136,800	314.44%
2014	17,458,559	8,967,497	8,491,062	1,445,000	1,543,675	2,988,675	284.11%
2013	15,259,709	9,460,882	5,798,827	145,000	1,208,125	1,353,125	428.55%
2012	13,187,656	8,278,829	4,908,827	1,375,000	1,366,533	2,741,533	179.05%
2011	12,220,939	7,719,720	4,501,219	1,305,000	1,441,389	2,746,389	163.90%
2010	12,126,259	7,037,537	5,088,722	1,240,000	1,512,402	2,752,402	184.88%
2009	12,549,051	7,474,289	5,074,762	1,175,000	1,569,082	2,744,082	184.93%
2008	13,092,099	6,469,823	6,622,276	1,120,000	1,596,948	2,716,948	243.74%
2007	12,543,818	6,189,393	6,354,425	1,070,000	1,679,114	2,749,114	231.14%
2006	10,889,986	6,685,581	4,204,405	1,020,000	1,727,499	2,747,499	153.03%

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	
2015	\$ 18,482,654	\$ 8,619,311	\$ 9,863,343	1,595,000	1,541,800	\$ 3,136,800	314.44%
2014	17,458,559	8,967,497	\$ 8,491,062	1,445,000	1,543,675	\$ 2,988,675	284.11%
2013	15,259,709	9,460,882	\$ 5,798,827	145,000	1,208,125	\$ 1,353,125	428.55%

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)
2015	96,547	N/A	N/A	N/A	9.6%
2014	96,057	\$ 1,354,544	\$ 14,095	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%

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>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>2015</u>
City Manager	4.00	5.00	5.00	5.00	3.50	6.10	5.00	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	4.00	4.00
Personnel	5.00	5.00	5.00	5.00	3.40	2.90	4.00	4.00	4.00	4.00
Finance	24.00	24.00	24.00	23.00	22.90	21.00	18.00	20.00	20.00	20.00
Police										
Officers	91.00	91.00	95.00	93.00	99.00	80.00	80.00	82.00	82.00	82.00
Civilians	44.00	49.00	48.00	40.00	34.00	37.00	37.00	37.00	39.00	39.00
Public Works										
Administration/Engineering	9.00	9.00	8.00	8.00	8.00	7.00	8.00	8.00	8.00	8.00
Maintenance	50.00	48.00	48.00	47.00	43.15	36.15	35.00	37.00	37.00	36.00
Water/Sewer	18.00	22.00	22.00	22.00	25.85	28.85	19.00	26.00	27.00	27.00
Parks & Recreation	40.00	40.00	40.00	39.00	39.50	33.00	30.00	35.00	38.00	38.00
Community Development	35.00	35.00	35.00	33.00	33.00	28.00	22.00	26.00	25.00	25.00
Sub-Total	324.00	332.00	334.00	319.00	316.30	284.00	262.00	284.00	290.00	289.00
Part-Time Hours	130,154	128,569	122,836	121,464	85,368	100,378	125,070	109,385	114,095	129,005
Full-Time Equivalents	62.57	61.81	59.06	58.40	41.04	48.25	60.13	52.59	54.85	62.02
TOTAL POSITIONS	386.57	393.81	393.06	377.40	357.34	332.25	322.13	336.59	344.85	351.02

(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>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>2015</u>
Police										
Calls for service	43,750	41,941	42,884	43,224	39,670	36,329	36,250	37,129	35,528	37,658
Arrests	4,767	4,085	3,627	3,060	2,468	2,468	2,226	2,288	2,559	2,612
Parking citations issued	22,528	22,564	12,616	16,770	23,339	22,512	20,491	13,809	24,146	23,300
Moving citations/traffic violations	14,449	13,697	13,525	11,858	8,035	18,344	14,111	4,289	3,676	3,139
Share of seized asset (in thousands)	N/A	\$ 320	\$ 2,026	\$ 1,335	\$ 810	\$ 758	\$ 1,360	\$ 744	\$ 1,586	1,264
Water										
Customer accounts	15,283	15,293	15,136	14,906	15,570	15,578	14,350	15,445	15,445	15,361
Average daily consumption (millions of gallons)	7.8	7.6	7.0	7.2	7.1	8.0	7.4	7.5	7.5	6.7
Water samples taken	1,478	1,576	1,647	1,602	2,892	2,306	2,111	2,240	2,240	1,940
New connections	7	15	21	27	8	8	5	9	9	13
15 Street Maintenance										
Potholes repaired	319	753	687	504	476	211	135	206	1,215	1,250
Sq. ft of graffiti removal (in thousands)	1,768	2,750	1,856	2,154	845	700	700	700	1,000	980
Miles of streets swept	30,016	31,223	28,809	29,287	32,583	30,180	33,543	32,760	32,760	33,040
Culture and Recreation										
Golf course participants	11,084	10,801	9,942	4,851	8,879	7,750	7,780	6,934	6,238	5,579
Swimming participants	22,742	73,132	45,472	2,969	37,159	73,113	85,685	95,265	88,280	28,688
Facility rentals	1,612	1,770	2,959	1,129	921	1,265	1,360	1,078	1,115	1,160
Recreation classes provided	696	1,283	1,021	216	160	1,060	207	311	568	1,098
Community Development										
Permits issued	10,246	9,625	9,309	8,154	4,588	4,796	4,599	4,459	3,377	2,931
Code enforcement inspections	4,959	7,741	7,586	7,135	5,879	6,879	6,506	5,554	6,893	5,019
Housing vouchers issued	100	71	126	111	63	51	54	36	35	41

Source: Various City Departments

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

<u>Function</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>2015</u>
Police										
Stations	2	2	2	1	1	1	1	1	1	1
Patrol Units	40	40	40	40	37	37	37	37	37	37
Water										
Miles of lines and mains	135	135	135	135	135	135	135	135	135	135
Number of wells	11	11	11	14	12	12	12	11	11	11
Number of tanks	2	2	2	2	2	2	2	2	2	2
Number of reservoirs	5	5	5	5	5	5	5	5	5	5
Sewer										
Miles of sewers	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8
Miles of storm drains	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Streets										
Miles of streets	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8	125.8
Traffic signals	63	63	63	77	77	77	77	86	83	83
Streetlights	3,936	3,936	3,936	3,936	3,936	3,936	3,936	4,400	4,400	4,400
Culture and Recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Park acreage	171	179	179	182	182	182	182	182	182	182
Playgrounds	7	8	8	8	8	8	8	8	8	12
Ballfields	16	16	16	16	16	16	16	16	16	17
Swimming pools	1	1	1	1	1	1	1	1	1	1
Community Centers	7	7	7	7	7	7	7	7	7	7

Source: Various City Departments

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