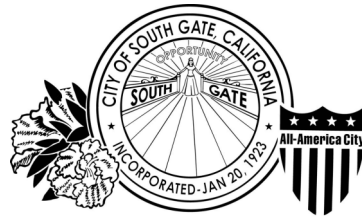


CITY OF SOUTH GATE CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

City of South Gate

South Gate, California

Comprehensive Annual Financial Report and Independent Auditors' Report

For the year ended June 30, 2017

Prepared by:
Finance Department

City of South Gate
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of South Gate

8650 California Avenue, South Gate, CA 90280

January 31, 2018

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, 2017, is hereby presented 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. To the best of our knowledge, there are no misstatements of material fact within the financial statements or omissions of material fact which would 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.

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, police, public works, planning, building & safety, and parks & recreation. The official population is 98,633 as of January 1, 2017. The City of South Gate is a full service city, meaning that, except for library and fire protection services, all services are delivered by the City's own employees.

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 many projects slated for development over the next five 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.

Budgetary 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 Proprietary 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 \$306 thousand favorable budget variance in general fund revenues and a favorable \$9.4 million budget variance in general fund expenditures and transfers out, resulting in a net \$9.7 million favorable budget variance in the general fund balance for the fiscal year ended June 30, 2017. Overall increases in general fund revenues came as a result of a \$1.4 million (4.0%) positive budget to actual variance in tax revenues, which is comprised mainly of the following increases: sales and use tax of \$748,540 (3.7%), property taxes of \$382,186 (3.3%) and business license tax of \$213,818 (15.6%). Another \$400,000 came from unexpected one-time revenues comprised of AB109 Task Force grant, Park Maintenance fund, and donation for the Business Watch Program. Many of the favorable revenue variances were the result of conservative budget practices and continued careful management of resources during FY 2016-17.

Significant Financial Events

During the fiscal year ended June 30, 2017, the City implemented several new GASB Statements. GASB Statement No. 77 – Tax Abatement Disclosures - establishes financial reporting standards for tax abatement agreements entered into by state and local governments. GASB Statement No. 78 – Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans - amends the scope and applicability of the prior GASB Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. GASB Statement No. 80 – Blending Requirements for Certain Component Units – amends prior GASB Statement 14 on blending requirements for the financial statement presentation of component units of all state and local governments. GASB Statement No. 82 – Pension Issues – address certain issues that have been raised with respect to various prior GASB statements regarding pension.

Other Information

Independent Audit

The City requires an annual audit by independent certified public accountants. The accounting firm of The Pun Group, 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. Beginning with the single audits of fiscal years beginning on or after Jan. 1, 2015, Office of Management and Budget (OMB) raised the single audit (OMB Circular A-133) threshold for federal awards from \$500,000 to \$750,000. When over \$750,000 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, 2017, approximately \$13 million 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, 2016. The City of South Gate strives to achieve this prestigious award each year. 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 hard work and loyal service of the Administrative Services Department staff. We would like to express our appreciation to all members of the Department and to The Pun Group, LLP, the City's independent auditors, for their expertise and professionalism in preparing this year's report. Finally, we would like to express our appreciation to the City Council, whose strong leadership and constant support has made the preparation of this report possible.

Respectfully submitted,



Michael Flad
City Manager

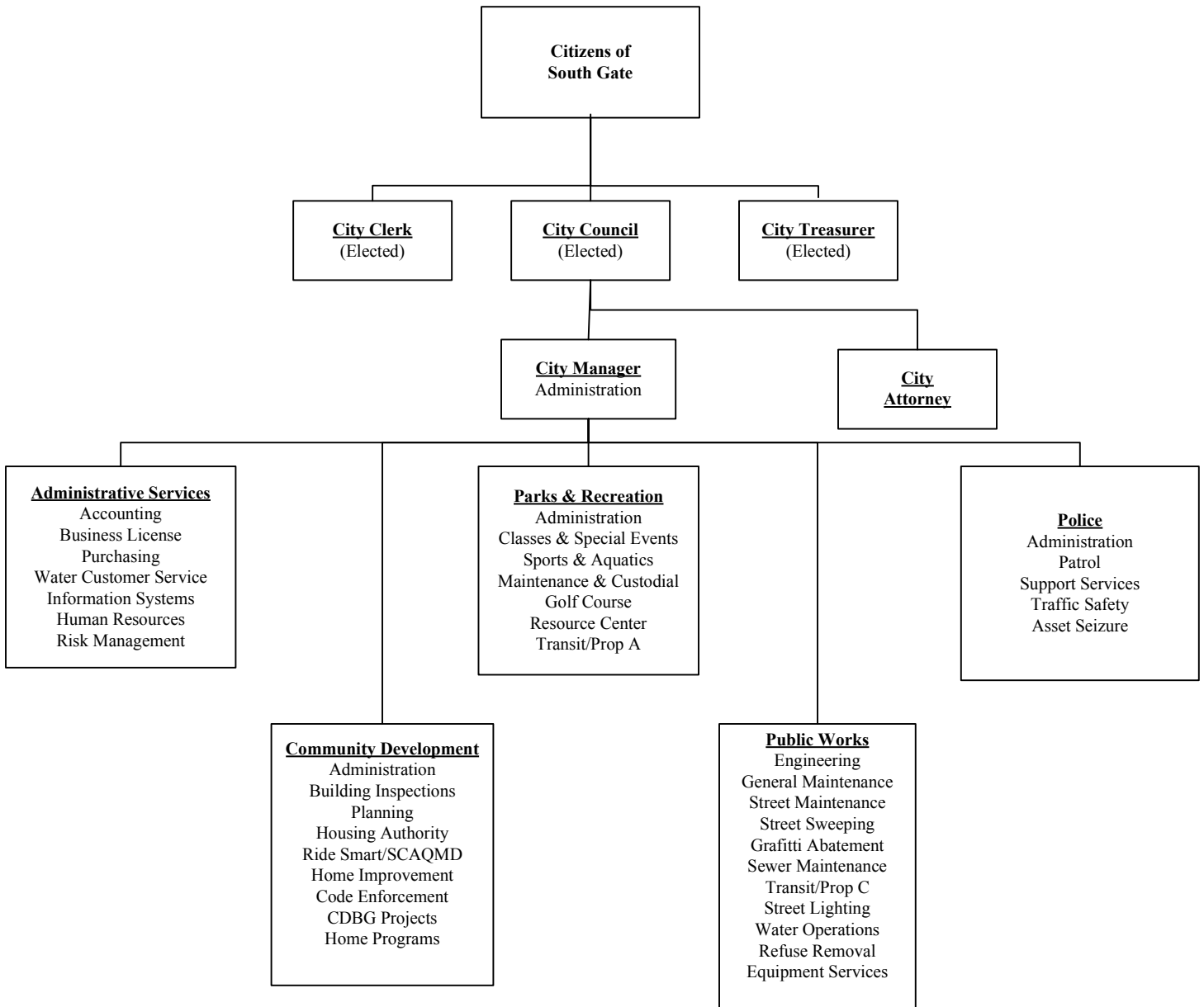


Jackie Acosta
Director of Administrative Services

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

Mayor	Maria Davila
Vice Mayor	Maria Belen Bernal
Councilmember	Jorge Morales
Councilmember	Denise Diaz
Councilmember	Al Rios
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
Director of Community Development	Joe Perez
Director of Parks and Recreation	Paul Adams
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, 2016

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of South Gate
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, 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.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

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 – General Fund and Grants Special Revenue Fund, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, the Schedules of Contributions – Pension, and the Schedule of Funding Progress—Other Post-Employment Benefits on pages 5 to 15 and 101 to 110 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, the Schedules of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual, 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 the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 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 the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

To the Honorable Mayor and Members of the City Council
of the City of South Gate
South Gate, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, 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.

The Per Group, LLP

Santa Ana, California
January 31, 2018

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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, 2017. It should be read in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

Government-wide Financial Statements

- **Net Position:** 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, 2017, by \$253.3M. This amount is referred to as the net position of the City. Of this amount, \$232.2M is invested in capital assets, \$32M is restricted mainly for the public works, community development projects, public safety, and housing activities, and \$13.5M is an unrestricted deficit amount.
- **Changes in Net Position:** The net position of the City's government activities increased 5% from the prior year by \$12.2M, which comprised \$4.1M from governmental activities and \$8.1M from business-type activities. The increase resulted from revenues exceeding expenses by \$10.2M and \$2.0M from the restatement of prior year fund balance.
- **Long-Term Liabilities:** The City's total long-term liabilities increased \$16.2M or 12% as of June 30, 2017, from \$140.5M to \$156.7M mainly from the increases in net pension and other post-employment benefits (OPEB) liabilities.

Fund Financial Statements

- **Governmental Funds:** As of June 30, 2017, the City's governmental funds reported a combined ending fund balance of \$77.2M, an increase of \$5.9M over the prior year balance. This was due mainly to the increase in grant funding.
- **General Fund:** At June 30, 2017, revenues exceeded expenditures by \$1.6M, increasing the general fund balance to \$47.7M. Of this amount, \$18.3M is unassigned and is available for spending at the City's discretion.
- **The City's capital assets** totaled \$285.9M at June 30, 2017, a net increase of \$16.1M over prior year. The increase is due mainly to additions in capital improvement projects of \$17M.

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 the 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 46 to 96 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 versus 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. For South Gate, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$253.3M at June 30, 2017, as shown in Table 1.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 96,760,702	\$ 93,817,623	\$ 25,690,955	\$ 25,602,643	\$ 122,451,657	\$ 119,420,266
Capital assets	232,545,436	229,508,449	53,401,385	47,064,051	285,946,821	276,572,500
Total assets	329,306,138	323,326,072	79,092,340	72,666,694	408,398,478	395,992,766
Deferred Outflows	19,947,114	5,141,208	2,142,704	494,804	22,089,818	5,636,012
Total Deferred Outflows	19,947,114	5,141,208	2,142,704	494,804	22,089,818	5,636,012
Long-term debt outstanding	108,753,243	91,892,590	42,678,342	43,039,432	151,431,585	134,932,022
Other liabilities	10,203,288	10,961,746	6,812,541	6,846,384	17,015,829	17,808,130
Total liabilities	118,956,531	102,854,336	49,490,883	49,885,816	168,447,414	152,740,152
Deferred Inflows	8,058,521	7,474,664	672,540	333,707	8,731,061	7,808,371
Total Deferred Inflows of Resources	8,058,521	7,474,664	672,540	333,707	8,731,061	7,808,371
Net assets:						
Invested in net capital assets:	214,310,182	228,683,333	17,878,795	352,035	232,188,977	229,035,368
Restricted	32,489,297	29,778,222	2,168,421	2,002,112	34,657,718	31,780,334
Unrestricted	(24,561,277)	(40,323,275)	11,024,405	20,587,828	(13,536,872)	(19,735,447)
Total net position	\$ 222,238,202	\$ 218,138,280	\$ 31,071,621	\$ 22,941,975	\$ 253,309,823	\$ 241,080,255

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 \$232M, 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, \$34.7M, represents resources that are subject to external restrictions in how they may be used. The remaining deficit balance of \$13.5M resulted from the increase of long-term liabilities, namely pension and other post-employment liabilities.

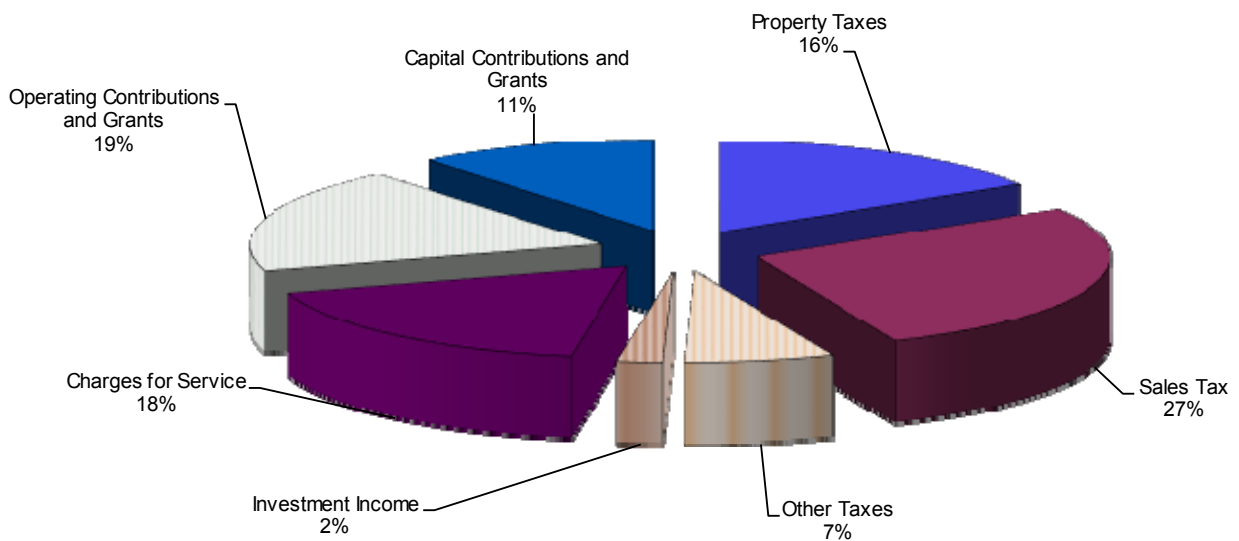
Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 13,319,008	\$ 11,677,354	\$ 24,797,766	\$ 25,587,018	\$ 38,116,774	\$ 37,264,372
Operating grants/contributions	14,090,011	14,755,925	35,577	71,252	14,125,588	14,827,177
Capital contributions/grants	8,221,221	7,147,759	-	-	8,221,221	7,147,759
General revenues:						
Property taxes	12,131,259	11,711,674	-	-	12,131,259	11,711,674
Sales taxes	20,622,540	21,838,333	-	-	20,622,540	21,838,333
Other taxes	5,105,256	4,882,725	-	-	5,105,256	4,882,725
Investment income	1,538,718	2,411,704	-	-	1,538,718	2,411,704
Other revenue	575,952	1,237,080	-	-	575,952	1,237,080
Total revenues	75,603,965	75,662,554	24,833,343	25,658,270	100,437,308	101,320,824
Program expenses		-				
General government	6,847,154	6,312,021	-	-	6,847,154	6,312,021
Public works	18,512,944	16,793,709	-	-	18,512,944	16,793,709
Parks and recreation	7,544,002	6,951,102	-	-	7,544,002	6,951,102
Police	27,043,487	22,506,803	-	-	27,043,487	22,506,803
Community development	10,987,169	10,938,787	-	-	10,987,169	10,938,787
Interest expense	1,309,624	1,121,913	-	-	1,309,624	1,121,913
Sewer	-	-	1,766,544	1,672,043	1,766,544	1,672,043
Water	-	-	12,516,306	12,956,297	12,516,306	12,956,297
Refuse (Integrated Wasted)	-	-	3,715,089	3,492,720	3,715,089	3,492,720
Total expenses	72,244,380	64,624,335	17,997,939	18,121,060	90,242,319	82,745,395
Increase in net assets before transfers and write-offs	3,359,585	11,038,219	6,835,404	7,537,210	10,194,989	18,575,429
Transfers	(1,294,242)	(1,066,117)	1,294,242	1,066,117	-	-
Write-offs	-	-	-	-	-	-
Extraordinary gain/loss	-	-	-	-	-	-
Increase in net position	2,065,343	9,972,102	8,129,646	8,603,327	10,194,989	18,575,429
Beginning net position (*restated)	220,172,859	208,166,178	22,941,975	14,338,648	243,114,834	222,504,826
Restatement of net position	-	-	-	-	-	-
Ending net position	\$ 222,238,202	\$ 218,138,280	\$ 31,071,621	\$ 22,941,975	\$ 253,309,823	\$ 241,080,255

Governmental Activities. The Net Position of Governmental Activities increased by \$2.1M. While program revenues increased from CDBG grant funding, charges for services and asset forfeitures, they are offset by the decrease in general revenues such as sales taxes and investment income. While total revenues remained steady at \$75.6M compared to \$75.6M in prior year, total program expenses increased by 11.8% from \$64.6M in FY 2015/16 to \$72.2M in FY 2016/17 as a result of increases in public safety, public works and parks and recreation services.

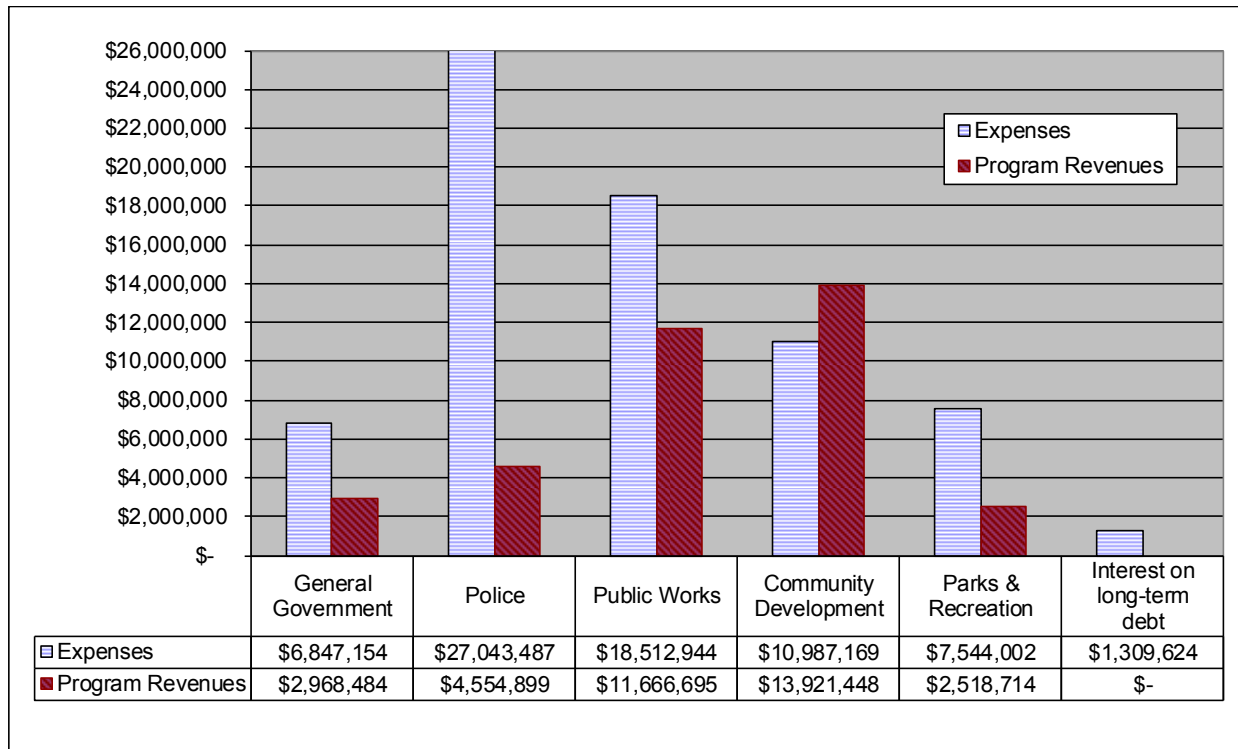
The City of South Gate relies heavily on federal, state and local grant funds (19%) as a major funding source for capital projects. Sales tax (27%), property taxes (16%) and charges for services (18%) remain the most significant portion of the Governmental Activities revenue stream.

Revenues by Source – Governmental Activities



The cost of all Governmental activities this year was \$72.2M. Of this amount, \$13.3M was paid for by those who directly benefited from programs provided, \$22.3M was subsidized by grants received from other governmental organizations for both capital and operating activities, and the remaining \$40.0M was financed through general taxes and other revenues.

Expenses and Program Revenues – Governmental Activities



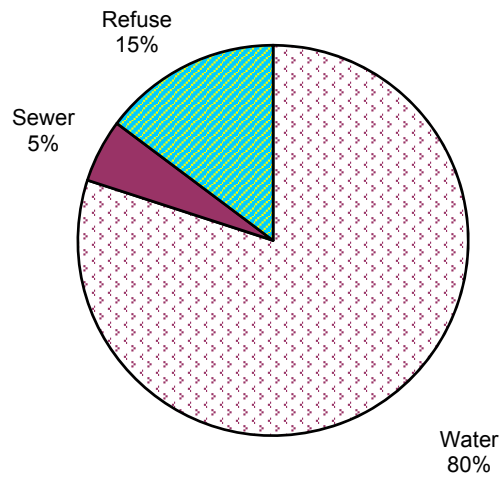
The City's largest expense is the Police Department, whose operations totaled \$27.0M in 2017. Public Works followed with \$18.5M of expenses, which included expenses related to several large capital improvement projects. Community Development was the third largest in expenses, at \$11.0M, which includes Federal Housing and Urban Development (HUD) funds.

Business-Type Activities. During the year ended June 30, 2017, 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 \$8.1M.

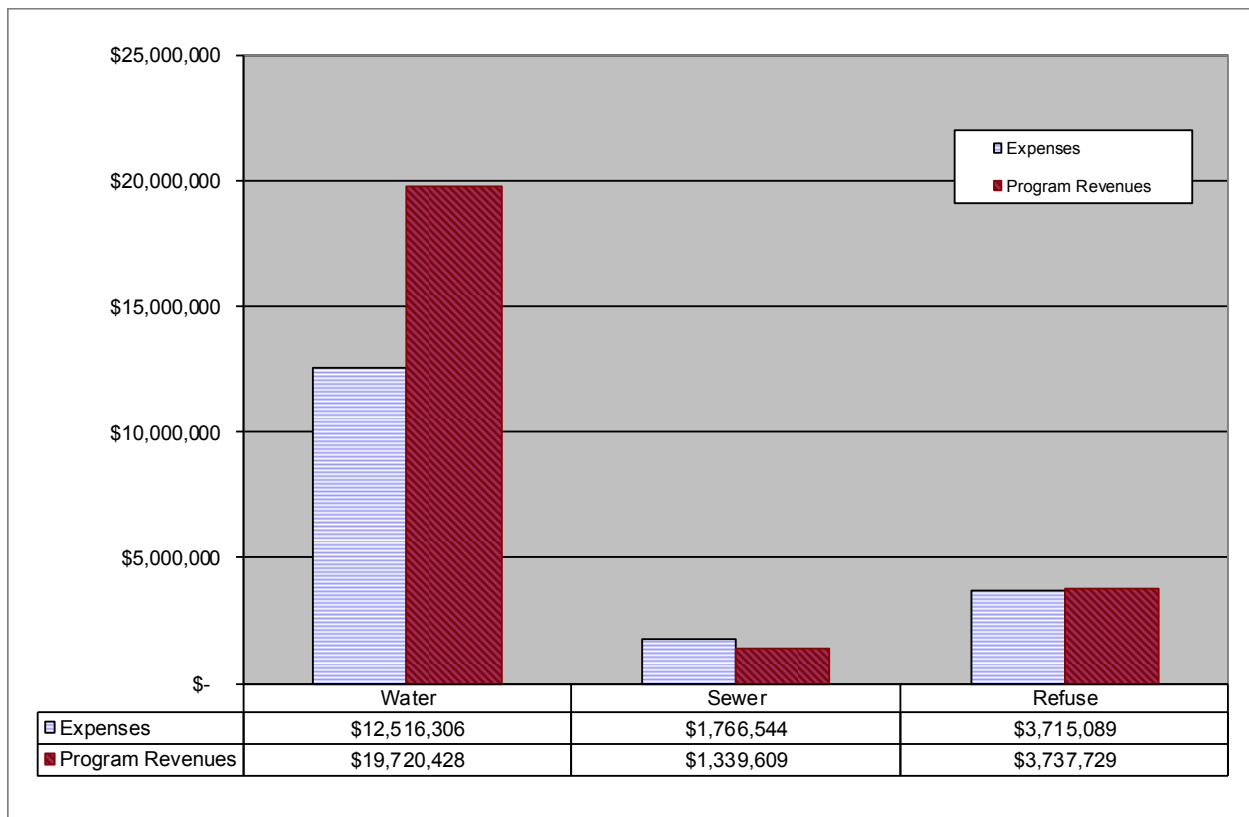
These business-type activities consisted of the water, sewer and refuse utilities. The cost of providing all business-type activities this year was \$18.0M. The revenue paid by users of these utilities was \$24.8M of which 80% comes from Water fees, 15% from Refuse fees and 5% from Sewer fees. When capital 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, 2017, the City’s governmental funds reported combined ending fund balances of \$77.2M, an increase of \$5.9M in comparison with the prior year balance. Of that amount, \$9.9M constitutes *nonspendable* fund balance. Of the remaining \$67.3M *spendable* fund balance, \$32.5M is *restricted* because it is subject to external enforceable legal obligations, \$16.5M is *committed* for emergency reserves, the courthouse rehabilitation, capital asset replacement, building and infrastructure maintenance and capital projects, \$3.7M has been *assigned* by management for specific purposes, and \$14.6M is *unassigned* and can be spent at the City’s discretion.

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 \$47.7M, an increase of \$1.6M over the prior year. The unassigned, spendable fund balance totaled \$18.3M.

**Table 3
General Fund**

	General Fund		Favorable/ (unfavorable)
	2017	2016	
Revenues			
Taxes	\$ 37,802,203	\$ 37,567,479	234,724
Licenses and permits	1,481,841	1,556,654	(74,813)
Intergovernmental	437,410	461,131	(23,721)
Charges for services	2,311,250	2,470,312	(159,062)
Use of money and property	826,309	1,919,131	(1,092,822)
Fines and forfeitures	1,032,943	1,057,534	(24,591)
Miscellaneous	3,369,070	3,869,847	(500,777)
Total revenues	47,261,026	48,902,088	(1,641,062)
Expenditures			
General government	6,461,815	6,340,391	(121,424)
Public Safety	22,804,152	21,227,527	(1,576,625)
Community development	2,083,456	2,720,829	637,373
Parks and recreation	6,429,127	6,027,180	(401,947)
Public works	3,368,054	3,032,709	(335,345)
Capital outlay	373,985	87,555	(286,430)
Debt service:			
Principal retirement	1,070,000	1,214,489	144,489
Interest and fiscal charges	944,649	1,004,258	59,609
Total expenditures	43,535,238	41,654,938	(1,880,300)
Revenues over (under) expenditures	<u>3,725,788</u>	<u>7,247,150</u>	<u>(3,521,362)</u>
Other financing sources (Uses)			
Transfers in	-	10,000	(10,000)
Transfers out	(2,111,630)	(3,448,725)	(1,337,095)
Total other financing sources (uses)	(2,111,630)	(3,438,725)	(1,327,095)
Net changes in Fund Balance	<u>1,614,158</u>	<u>3,808,425</u>	<u>(2,194,267)</u>
Beginning fund balance	<u>46,127,576</u>	<u>42,319,151</u>	<u>3,808,425</u>
Ending fund balance	\$ 47,741,734	\$ 46,127,576	\$ 1,614,158

This net increase of \$1.6M was a result of operating revenues and other financing sources exceeding expenditures and other financing uses. However, with respect to general fund revenues, they were down \$1.6M from FY 2015/16. Tax revenues increased by \$234K mainly as a result of a \$426K increase in property taxes, a \$117K increase in business license, and a \$385K decrease in sales taxes. Use of money and property decreased by \$1.1M mainly due to decreases in interest earnings and the loss in fair market value of investments. Various administrative reimbursements resulted in a \$501K decrease from the prior year. In regards to general fund expenditures, they increased approximately \$1.9M (5%) over the prior year due to increases in salaries, health benefits and pension costs.

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 \$135K is designated for specific future projects.

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 \$31.1M, an increase of \$8.1M from the prior year. This increase is a net result of revenues exceeding expenses by \$6.8M plus total net transfers of \$1.3M. The \$789K increase in operating revenues resulted from the overall increase in consumption rates. 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 yearend reported a deficit amount of \$659K, a decrease of \$931K from the prior fiscal year mainly due to increases in workers compensation and general liability claims, insurance premiums and retiree medical cost.

General Fund Budgetary Highlights

For many years, the City's General Fund revenues had 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 slightly 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.

However, since then the economy has improved and a major shopping center opened, both of which have contributed to bringing the City's General Fund back to a fiscally sound position. For fiscal year 2016-17, the adopted general fund revenue budget was \$47.0M. The actual revenues came in \$306K higher than projected at \$47.3M due to a 3.8% increase in sales taxes over the budgeted estimate, and increases in property taxes, business licenses, public works permits and development fees, animal licenses, parking citations, and one-time AB109 Task Force and Park Maintenance grants.

The expenditure budget of \$46.2M came in \$2.9M lower than projected at \$43.5M, due to staff vacancies and strong fiscal management.

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, 2017, the City's net investment in capital assets for governmental activities totaled \$232.6M and net investment in capital assets in business-type activities totaled \$53.4M. Governmental capital assets increased by \$3.0M and business-type capital assets increased by \$6.3M. The increases are due mainly to increases in new and ongoing capital projects. The Governmental capital assets reported a \$9.5M addition to construction in progress, and for business-type, \$8.1M.

City of South Gate Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Structures & improvements	\$ 13,748,546	\$ 14,550,313	\$ 2,989,250	\$ 3,087,558	\$ 16,737,796	\$ 17,637,871
Machinery and equipment	2,108,002	1,995,190	2,554,976	2,854,308	4,662,978	4,849,498
Infrastructure	188,520,194	191,138,218	-	-	188,520,194	191,138,218
Utility distribution system	-	-	29,841,790	31,160,145	29,841,790	31,160,145
Land	3,738,993	3,738,993	1,290,602	1,290,602	5,029,595	5,029,595
Construction in progress	24,429,702	18,085,735	14,791,623	6,738,294	39,221,325	24,824,029
Water rights	-	-	1,933,144	1,933,144	1,933,144	1,933,144
Total	<u>\$ 232,545,437</u>	<u>\$ 229,508,449</u>	<u>\$ 53,401,385</u>	<u>\$ 47,064,051</u>	<u>\$ 285,946,822</u>	<u>\$ 269,847,003</u>

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 \$156.7M. This amount represents an increase over the prior year of \$16.2M due to the increase of net pension liability of \$15.1M, other post-employment benefits of \$2.2M, and a claims and judgment of \$1.0M.

City of South Gate Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ -	\$ -	\$ 39,776,721	\$ 41,187,431	\$ 39,776,721	\$ 41,187,431
Certificates of participation	-	-	-	-	-	-
Pension obligation bonds	16,375,000	17,445,000	-	-	16,375,000	17,445,000
SCE Edison financing agreement	730,255	825,116	-	-	730,255	825,116
Capital lease obligations	-	-	-	-	-	-
Notes/Loans payable	1,130,000	1,690,000	-	-	1,130,000	1,690,000
Claims and judgments	9,364,462	8,330,728	-	-	9,364,462	8,330,728
Compensated Absences	4,623,484	4,732,772	368,324	333,384	4,991,808	5,066,156
Other post employment benefits	8,705,428	6,483,845	-	-	8,705,428	6,483,845
Net Pension Liability	71,411,108	56,262,154	4,235,199	3,207,831	75,646,307	59,469,985
Total	<u>\$ 112,339,737</u>	<u>\$ 95,769,615</u>	<u>\$ 44,380,244</u>	<u>\$ 44,728,646</u>	<u>\$ 156,719,981</u>	<u>\$ 140,498,261</u>

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

The FY 2016-17 budget was balanced by maintaining the same service level of the prior year while continuing to fill only essential positions and controlling maintenance and operations costs.

When preparing the City's budget for fiscal year 2017-18, the following assumptions were made:

- Most revenues were expected to grow by 2% in FY 2017-18.
- Negotiated employee salary increases and increased CalPERS costs were expected to continue to increase the budget over the next few years, with the increase to the FY 2017-18 budget expected to be approximately \$1.7M.

Requests for Information

This comprehensive annual financial report (CAFR) 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 transparency and accountability for the money it receives and expends. 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, by e-mail at jacosta@sogate.org or by mail at 8650 California Avenue, South Gate, California 90280.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of South Gate
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 59,770,516	\$ 23,146,974	\$ 82,917,490
Receivables:			
Accounts	1,279,908	4,805,533	6,085,441
Accrued interest	953,222	50,422	1,003,644
Settlement	76,712	-	76,712
Internal balances	8,868,352	(8,868,352)	-
Advance to Successor Agency	1,327,447	-	1,327,447
Prepaid items	62,241	1,778	64,019
Prepaid bond insurance	-	289,086	289,086
Due from other governments	11,940,250	-	11,940,250
Inventories	138,588	-	138,588
Property held for resale	2,190,000	-	2,190,000
Restricted cash and investments			
Cash and investments with fiscal agents	225,698	-	225,698
Total current assets	<u>86,832,934</u>	<u>19,425,441</u>	<u>106,258,375</u>
Noncurrent assets:			
Restricted cash and investments			
Cash and investments with fiscal agents	-	6,265,514	6,265,514
Receivables:			
Notes and loans	9,927,768	-	9,927,768
Non-depreciable capital assets	28,168,695	18,015,369	46,184,064
Depreciable capital assets, net	<u>204,376,742</u>	<u>35,386,016</u>	<u>239,762,758</u>
Total noncurrent assets	<u>242,473,205</u>	<u>59,666,899</u>	<u>302,140,104</u>
Total assets	<u>329,306,139</u>	<u>79,092,340</u>	<u>408,398,479</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	-	157,038	157,038
Deferred outflows of resources related to pensions	<u>19,947,114</u>	<u>1,985,666</u>	<u>21,932,780</u>
Total deferred outflows of resources	<u>19,947,114</u>	<u>2,142,704</u>	<u>22,089,818</u>

City of South Gate
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,039,721	\$ 1,810,898	\$ 4,850,619
Accrued liabilities	596,731	51,316	648,047
Retention payable	393,120	498,421	891,541
Accrued interest	397,896	380,313	778,209
Unearned revenue	587,432	76,127	663,559
Deposits payable	1,557,287	2,293,564	3,850,851
Due to other governments	44,606	-	44,606
Compensated absences - due within one year	355,653	28,333	383,986
Claims payable - due within one year	1,475,000	-	1,475,000
Long-term debt - due within one year	1,755,841	1,673,569	3,429,410
Total current liabilities	<u>10,203,287</u>	<u>6,812,541</u>	<u>17,015,828</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	4,267,831	339,991	4,607,822
Claims payable - due in more than one year	7,889,462	-	7,889,462
Long-term debt - due in more than one year	16,479,414	38,103,152	54,582,566
Aggregate net pension liability	71,411,108	4,235,199	75,646,307
Other post-employment benefits obligations	8,705,428	-	8,705,428
Total noncurrent liabilities	<u>108,753,243</u>	<u>42,678,342</u>	<u>151,431,585</u>
Total liabilities	<u>118,956,530</u>	<u>49,490,883</u>	<u>168,447,413</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	8,058,521	672,540	8,731,061
Total deferred inflows of resources	<u>8,058,521</u>	<u>672,540</u>	<u>8,731,061</u>
NET POSITION			
Net investment in capital assets	214,310,182	17,878,795	232,188,977
Restricted:			
Community development projects	6,516,861	-	6,516,861
Asset forfeiture program	5,069,616	-	5,069,616
Law enforcement	539,664	-	539,664
Public works	9,100,809	-	9,100,809
Capital projects	2,000	-	2,000
Debt service	223,698	2,168,421	2,392,119
Low and moderate housing activities	10,979,849	-	10,979,849
Total restricted	<u>32,432,497</u>	<u>2,168,421</u>	<u>34,600,918</u>
Unrestricted (deficit)	<u>(24,504,477)</u>	<u>11,024,405</u>	<u>(13,480,072)</u>
Total net position	<u>\$ 222,238,202</u>	<u>\$ 31,071,621</u>	<u>\$ 253,309,823</u>

City of South Gate
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 6,847,154	\$ 2,948,646	\$ 19,838	\$ -	\$ 2,968,484
Public safety	27,043,487	4,189,654	365,245	-	4,554,899
Community development	10,987,169	3,618,710	10,302,738	-	13,921,448
Parks and recreation	7,544,002	1,105,880	1,412,834	-	2,518,714
Public works	18,512,944	1,456,118	1,989,356	8,221,221	11,666,695
Interest on long-term debt	1,309,624	-	-	-	-
Total governmental activities	<u>72,244,380</u>	<u>13,319,008</u>	<u>14,090,011</u>	<u>8,221,221</u>	<u>35,630,240</u>
Business-type activities:					
Water	12,516,306	19,720,428	-	-	19,720,428
Sewer	1,766,544	1,339,609	-	-	1,339,609
Refuse	3,715,089	3,737,729	35,577	-	3,773,306
Total business-type activities	<u>17,997,939</u>	<u>24,797,766</u>	<u>35,577</u>	<u>-</u>	<u>24,833,343</u>
Total primary government	<u><u>\$ 90,242,319</u></u>	<u><u>\$ 38,116,774</u></u>	<u><u>\$ 14,125,588</u></u>	<u><u>\$ 8,221,221</u></u>	<u><u>\$ 60,463,583</u></u>

City of South Gate
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (3,878,670)	\$ -	\$ (3,878,670)
Public safety	(22,488,588)	-	(22,488,588)
Community development	2,934,279	-	2,934,279
Parks and recreation	(5,025,288)	-	(5,025,288)
Public works	(6,846,249)	-	(6,846,249)
Interest on long-term debt	(1,309,624)	-	(1,309,624)
Total governmental activities	(36,614,140)	-	(36,614,140)
Business-type activities:			
Water	-	7,204,122	7,204,122
Sewer	-	(426,935)	(426,935)
Refuse	-	58,217	58,217
Total business-type activities	-	6,835,404	6,835,404
Total primary government	(36,614,140)	6,835,404	(29,778,736)
General revenues and transfers:			
Taxes:			
Property taxes, levied for general purpose	12,131,259	-	12,131,259
Transient occupancy taxes	390,454	-	390,454
Sales taxes	20,622,540	-	20,622,540
Franchise taxes	2,454,038	-	2,454,038
Business licenses taxes	1,583,818	-	1,583,818
Motor vehicle in lieu	44,609	-	44,609
Other taxes	632,337	-	632,337
Total taxes	37,859,055	-	37,859,055
Use of money and property	1,538,718	-	1,538,718
Other	575,952	-	575,952
Transfers	(1,294,242)	1,294,242	-
Total general revenues and transfers	38,679,483	1,294,242	39,973,725
Changes in net position	2,065,343	8,129,646	10,194,989
Net Position:			
Beginning of year, as restated (Note 16)	220,172,859	22,941,975	243,114,834
End of year	\$ 222,238,202	\$ 31,071,621	\$ 253,309,823

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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.

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

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

**City of South Gate
Balance Sheet
Governmental Funds
June 30, 2017**

	Major Funds				Total Governmental Funds
	General Fund	Grants Special Revenue Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 27,708,073	\$ -	\$ 2,022,906	\$ 20,441,532	\$ 50,172,511
Receivables:					
Accounts	855,581	221,427	-	202,900	1,279,908
Notes and loans	17,433	400,000	-	9,510,335	9,927,768
Accrued interest	893,837	-	3,440	39,996	937,273
Settlement	76,712	-	-	-	76,712
Prepaid items	42,741	-	-	-	42,741
Due from other governments	4,586,607	6,745,393	-	608,250	11,940,250
Due from other funds	8,072,254	-	-	-	8,072,254
Inventories	138,588	-	-	-	138,588
Property held for resale	-	-	-	2,190,000	2,190,000
Advances to other funds	8,870,474	-	-	-	8,870,474
Advances to Successor Agency	452,447	-	-	875,000	1,327,447
Restricted cash and investments held by fiscal agent	223,698	-	2,000	-	225,698
Total assets	\$ 51,938,445	\$ 7,366,820	\$ 2,028,346	\$ 33,868,013	\$ 95,201,624

**City of South Gate
Balance Sheet (Continued)
Governmental Funds
June 30, 2017**

	Major Funds				
	General Fund	Grants Special Revenue Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 873,865	\$ 15,865	\$ 1,048,880	\$ 898,671	\$ 2,837,281
Accrued liabilities	513,417	1,119	-	69,520	584,056
Unearned revenue	-	-	345,000	242,432	587,432
Deposits	1,448,830	-	106,257	2,200	1,557,287
Retentions payable	-	-	393,120	-	393,120
Due to other governments	44,606	-	-	-	44,606
Due to other funds	-	6,946,256	-	1,173,009	8,119,265
Total liabilities	2,880,718	6,963,240	1,893,257	2,385,832	14,123,047
Deferred inflows of resources:					
Unavailable revenues	1,315,993	2,551,834	-	-	3,867,827
Total deferred inflows of resources	1,315,993	2,551,834	-	-	3,867,827
Fund Balances:					
Nonspendable					
Inventories	138,588	-	-	-	138,588
Prepaid items	42,741	-	-	-	42,741
Notes and loans	17,433	400,000	-	-	417,433
Advances to other funds	8,870,474	-	-	-	8,870,474
Advances to Successor Agency	452,447	-	-	-	452,447
Restricted					
Community development projects	-	-	-	6,516,861	6,516,861
Asset forfeiture program	-	-	-	5,069,616	5,069,616
Law enforcement	-	-	-	539,664	539,664
Public works	-	-	-	9,100,809	9,100,809
Capital projects	-	-	2,000	-	2,000
Debt service	223,698	-	-	-	223,698
Low and moderate housing activities	-	-	-	10,979,849	10,979,849
Committed					
Emergency reserve	5,000,000	-	-	-	5,000,000
Courthouse rehabilitation	5,000,000	-	-	-	5,000,000
Capital assets replacement	3,929,504	-	-	-	3,929,504
Building and infrastructure maintenance	2,000,000	-	-	-	2,000,000
Capital Projects	-	-	558,449	-	558,449
Assigned					
Parks and recreation	215,780	-	-	-	215,780
Public works	115,000	-	-	-	115,000
Capital Projects	3,393,003	-	-	-	3,393,003
Unassigned (deficit)	18,343,066	(2,548,254)	(425,360)	(724,618)	14,644,834
Total fund balances	47,741,734	(2,148,254)	135,089	31,482,181	77,210,750
Total liabilities, deferred inflows of resources and fund balances	\$ 51,938,445	\$ 7,366,820	\$ 2,028,346	\$ 33,868,013	\$ 95,201,624

City of South Gate
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	\$ 77,210,750
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Government-Wide Financial Statements	232,545,437
Less: Internal Service Funds' capital assets	(434,182)
Total capital assets adjustment	232,111,255
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	(16,375,000)
Notes and loans payable	(1,130,000)
Financing agreements	(730,255)
Compensated absences	(4,623,484)
Total long-term debt adjustment	(22,858,739)
Governmental funds report all pension contributions as expenditures; however, in the statement of net position, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability, net of \$1,570,092 reported in Internal Service Funds.	(69,841,016)
Deferred outflows of resources related to pensions, net of \$613,025 reported in Internal Service Funds.	19,334,089
Deferred inflows of resources related to pensions, net of \$234,946 reported in Internal Service Funds.	(7,823,575)
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.	(8,705,428)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(397,896)
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.	3,867,827
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	(659,065)
Net Position of Governmental Activities	\$ <u>222,238,202</u>

City of South Gate
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds				
	General Fund	Grants Special Revenue Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 37,802,203	\$ -	\$ -	\$ 2,123,135	\$ 39,925,338
Licenses and permits	1,481,841	-	-	-	1,481,841
Intergovernmental	437,410	10,284,087	74,000	16,294,621	27,090,118
Charges for services	2,311,250	-	-	915,293	3,226,543
Use of money and property	826,309	-	-	377,655	1,203,964
Fines and forfeitures	1,032,943	-	-	150,264	1,183,207
Miscellaneous	3,369,070	-	551	265,330	3,634,951
Total revenues	47,261,026	10,284,087	74,551	20,126,298	77,745,962
EXPENDITURES:					
Current:					
General government	6,461,815	-	-	82,908	6,544,723
Public safety	22,804,152	-	-	1,326,411	24,130,563
Community development	2,083,456	246,419	-	8,435,897	10,765,772
Parks and recreation	6,429,127	-	-	-	6,429,127
Public works	3,368,054	-	-	5,908,100	9,276,154
Capital outlay	373,985	-	11,737,609	779,809	12,891,403
Debt service:					
Principal	1,070,000	-	-	654,861	1,724,861
Interest and fiscal charges	944,649	-	-	83,854	1,028,503
Total expenditures	43,535,238	246,419	11,737,609	17,271,840	72,791,106
REVENUES OVER (UNDER) EXPENDITURES	3,725,788	10,037,668	(11,663,058)	2,854,458	4,954,856
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	11,112,113	100,000	11,212,113
Transfers out	(2,111,630)	(7,341,513)	-	(2,892,000)	(12,345,143)
Total other financing sources (uses)	(2,111,630)	(7,341,513)	11,112,113	(2,792,000)	(1,133,030)
CHANGES IN FUND BALANCES	1,614,158	2,696,155	(550,945)	62,458	3,821,826
FUND BALANCES:					
Beginning of year, as restated (Note 16)	46,127,576	(4,844,409)	686,034	31,419,723	73,388,924
End of year	\$ 47,741,734	\$ (2,148,254)	\$ 135,089	\$ 31,482,181	\$ 77,210,750

City of South Gate
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 3,821,826

Amounts reported for governmental activities in the Statement of Activities were 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, net of \$128,110 reported in Internal Service Fund	12,477,597
Depreciation, net of \$74,316 reported in Internal Service Fund	(9,494,401)
	2,983,196

Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal payment of long-term debt	1,724,861
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Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	(281,121)
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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.	109,288
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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.	(2,221,583)
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Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(998,492)
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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.	(2,141,997)
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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.	(930,635)
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Change in Net Position of Governmental Activities	\$ 2,065,343
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PROPRIETARY FUND FINANCIAL STATEMENTS

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.

Refuse Fund (Nonmajor) – This fund accounts for the provision of waste management 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.

City of South Gate
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			Total	Governmental
	Major		Nonmajor		Activities
	Water	Sewer	Refuse		Internal
				Service Funds	
ASSETS					
Current assets:					
Cash and investments	\$ 20,811,639	\$ 1,321,111	\$ 1,014,224	\$ 23,146,974	\$ 9,598,005
Receivables:					
Accounts	3,754,169	376,445	674,919	4,805,533	-
Accrued interest	45,254	3,587	1,581	50,422	15,949
Prepaid items	1,778	-	-	1,778	19,500
Prepaid bond insurance	289,086	-	-	289,086	-
Due from other funds	2,122	-	-	2,122	44,889
Total current assets	24,904,048	1,701,143	1,690,724	28,295,915	9,678,343
Noncurrent assets:					
Restricted assets:					
Cash and investments	6,265,514	-	-	6,265,514	-
Capital assets:					
Non-depreciable assets	17,975,777	39,592	-	18,015,369	-
Depreciable assets, net of accumulated depreciation	17,453,460	17,932,556	-	35,386,016	434,182
Total capital assets, net	35,429,237	17,972,148	-	53,401,385	434,182
Total noncurrent assets	41,694,751	17,972,148	-	59,666,899	434,182
Total assets	66,598,799	19,673,291	1,690,724	87,962,814	10,112,525
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding of debt	157,038	-	-	157,038	-
Deferred outflows of resources related to pensions	1,612,521	373,145	-	1,985,666	613,025
Total deferred outflows of resources	1,769,559	373,145	-	2,142,704	613,025

City of South Gate
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

	Enterprise Funds			Total	Governmental
	Major		Nonmajor		Activities
	Water	Sewer	Refuse		Internal Service Funds
LIABILITIES					
Liabilities:					
Current liabilities:					
Accounts payable	1,157,998	59,911	592,989	1,810,898	202,440
Accrued liabilities	41,347	9,007	962	51,316	12,675
Accrued interest	380,313	-	-	380,313	-
Unearned revenues	-	-	76,127	76,127	-
Deposits payable	2,293,564	-	-	2,293,564	-
Retentions payable	498,421	-	-	498,421	-
Compensated absences, due within one year	21,819	6,514	-	28,333	-
Claims and judgments, due within one year	-	-	-	-	1,475,000
Bonds payable, due within one year	1,673,569	-	-	1,673,569	-
Total current liabilities	<u>6,067,031</u>	<u>75,432</u>	<u>670,078</u>	<u>6,812,541</u>	<u>1,690,115</u>
Noncurrent liabilities:					
Advances from other funds	8,870,474	-	-	8,870,474	-
Compensated absences, due in more than one year	292,014	47,977	-	339,991	-
Claims and judgments, due in more than one year	-	-	-	-	7,889,462
Bonds payable, due in more than one year	38,103,152	-	-	38,103,152	-
Aggregate net pension liability	3,324,978	910,221	-	4,235,199	1,570,092
Total noncurrent liabilities	<u>50,590,618</u>	<u>958,198</u>	<u>-</u>	<u>51,548,816</u>	<u>9,459,554</u>
Total liabilities	<u>56,657,649</u>	<u>1,033,630</u>	<u>670,078</u>	<u>58,361,357</u>	<u>11,149,669</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	534,262	138,278	-	672,540	234,946
Total deferred inflows of resources	<u>534,262</u>	<u>138,278</u>	<u>-</u>	<u>672,540</u>	<u>234,946</u>
NET POSITION					
Net investment in capital assets	(93,353)	17,972,148	-	17,878,795	434,182
Restricted for debt service	2,168,421	-	-	2,168,421	-
Unrestricted (deficit)	9,101,379	902,380	1,020,646	11,024,405	(1,093,247)
Total net position	<u>\$ 11,176,447</u>	<u>\$ 18,874,528</u>	<u>\$ 1,020,646</u>	<u>\$ 31,071,621</u>	<u>\$ (659,065)</u>

City of South Gate
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Total	Governmental
	Major		Nonmajor		Activities
	Water	Sewer	Refuse		Internal Service Funds
OPERATING REVENUES:					
Sales and service charges	\$ 19,176,084	\$ 1,338,183	\$ 3,731,714	\$ 24,245,981	\$ -
Interdepartmental charges	-	-	-	-	5,943,885
Miscellaneous	544,344	1,426	6,015	551,785	70,823
Total operating revenues	19,720,428	1,339,609	3,737,729	24,797,766	6,014,708
OPERATING EXPENSES:					
Personnel services	2,751,145	569,538	68,613	3,389,296	876,546
Utilities	546,197	2,223	3,461,407	4,009,827	53,969
Contractual services	3,267,294	234,502	9,314	3,511,110	363,277
Administrative services	2,292,442	262,047	182,054	2,736,543	388,191
Repair and maintenance	115,895	99,634	-	215,529	167,336
Supplies	386,701	30,911	-	417,612	665,744
Insurance	-	-	-	-	1,987,475
Claims expense	-	-	-	-	2,258,207
Depreciation expense	1,140,055	580,940	-	1,720,995	74,316
Total operating expenses	10,499,729	1,779,795	3,721,388	16,000,912	6,835,061
OPERATING INCOME (LOSS)	9,220,699	(440,186)	16,341	8,796,854	(820,353)
NONOPERATING REVENUES (EXPENSES):					
Investment income	237,530	13,251	6,299	257,080	50,930
Intergovernmental	-	-	35,577	35,577	-
Interest expense and fiscal charges	(2,254,107)	-	-	(2,254,107)	-
Total nonoperating revenues (expenses)	(2,016,577)	13,251	41,876	(1,961,450)	50,930
INCOME (LOSS) BEFORE TRANSFERS	7,204,122	(426,935)	58,217	6,835,404	(769,423)
TRANSFERS:					
Transfers in	1,582,969	-	-	1,582,969	-
Transfers out	(65,132)	(223,595)	-	(288,727)	(161,212)
Total transfers	1,517,837	(223,595)	-	1,294,242	(161,212)
CHANGES IN NET POSITION	8,721,959	(650,530)	58,217	8,129,646	(930,635)
NET POSITION:					
Beginning of year	2,454,488	19,525,058	962,429	22,941,975	271,570
End of year	\$ 11,176,447	\$ 18,874,528	\$ 1,020,646	\$ 31,071,621	\$ (659,065)

City of South Gate
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Total	Governmental
	Major		Nonmajor		Activities
	Water	Sewer	Refuse		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$19,341,229	\$ 1,233,484	\$ 3,747,556	\$24,322,269	\$ -
Cash received from interfund service provided	(2,122)	-	-	(2,122)	6,070,458
Cash paid to suppliers for goods and services	(4,694,354)	(330,028)	(3,205,281)	(8,229,663)	(4,765,764)
Cash paid to employees for services	(5,227,406)	(911,694)	(249,705)	(6,388,805)	(946,197)
Net cash provided by (used in) operating activities	9,417,347	(8,238)	292,570	9,701,679	358,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(8,034,813)	(23,516)	-	(8,058,329)	(128,110)
Principal paid on capital-related debt	(1,605,000)	-	-	(1,605,000)	-
Interest paid on capital-related debt	(2,030,611)	-	-	(2,030,611)	-
Repayment of advance from other funds	(939,649)	-	-	(939,649)	-
Net cash (used in) capital and related financing activities	(12,610,073)	(23,516)	-	(12,633,589)	(128,110)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental	-	-	35,577	35,577	-
Transfers in	1,582,969	-	-	1,582,969	-
Transfers (out)	(65,132)	(223,595)	-	(288,727)	(161,212)
Net cash provided by noncapital financing activities	1,517,837	(223,595)	35,577	1,329,819	(161,212)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	210,624	11,114	5,283	227,021	42,720
Net cash provided by investing activities	210,624	11,114	5,283	227,021	42,720
Net change in cash and cash equivalents	(1,464,265)	(244,235)	333,430	(1,375,070)	111,895
CASH AND CASH EQUIVALENTS:					
Beginning of year	28,541,418	1,565,346	680,794	30,787,558	9,486,110
End of year	\$27,077,153	\$ 1,321,111	\$ 1,014,224	\$29,412,488	\$ 9,598,005
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	\$20,811,639	\$ 1,321,111	\$ 1,014,224	\$23,146,974	\$ 9,598,005
Restricted cash and investment	6,265,514	-	-	6,265,514	-
Total cash and cash equivalents	\$27,077,153	\$ 1,321,111	\$ 1,014,224	\$29,412,488	\$ 9,598,005

City of South Gate
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Total	Governmental
	Major		Nonmajor		Activities
	Water	Sewer	Refuse		Internal
				Service Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 9,220,699	\$ (440,186)	\$ 16,341	\$ 8,796,854	\$ (820,353)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,140,055	580,940	-	1,720,995	74,316
(Increase) decrease in accounts receivable	(379,199)	(106,125)	(21,903)	(507,227)	-
(Increase) decrease in prepaid items	15,676	-	-	15,676	(13,682)
(Increase) decrease in due from other funds	(2,122)	-	-	(2,122)	55,750
(Increase) decrease in deferred outflows of resources related to pension plan	(1,374,653)	(304,654)	-	(1,679,307)	(493,368)
Increase (decrease) in accounts payable	(784,802)	37,242	265,440	(482,120)	98,383
Increase (decrease) in accrued liabilities	12,537	1,701	962	15,200	1,936
Increase (decrease) in unearned revenue	-	-	31,730	31,730	-
Increase (decrease) in deposits payable	92,773	-	-	92,773	-
Increase (decrease) in retentions payable	298,086	-	-	298,086	-
Increase (decrease) in claims and judgments	-	-	-	-	1,033,734
Increase (decrease) in compensated absences	68,831	(33,891)	-	34,940	-
Increase (decrease) in net pension liability	834,306	193,062	-	1,027,368	317,174
Increase (decrease) in deferred inflows of resources related to pension plan	275,160	63,673	-	338,833	104,607
Total adjustments	196,648	431,948	276,229	904,825	1,178,850
Net cash provided by operating activities	\$ 9,417,347	\$ (8,238)	\$ 292,570	\$ 9,701,679	\$ 358,497

FIDUCIARY FUND

FINANCIAL STATEMENTS

Agency Funds – 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.

Successor Agency to the Economic Development Agency 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.

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City of South Gate
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds	Successor Agency of the Former Community Development Commission
ASSETS		
Cash and investments	\$ 353,223	\$ 1,207,501
Cash and investments with fiscal agents	-	3,666,929
Receivables:		
Accounts	-	1,874
Notes and loans	-	559,766
Due from other governments	-	44,606
Prepaid bond insurance	-	129,439
Property held for resale	-	1,463,492
Capital assets:		
Non-depreciable	-	1,686,000
Depreciable, net	-	179,760
Total assets	\$ 353,223	8,939,367
LIABILITIES		
Accounts payable	\$ 669	17,082
Interest payable	-	1,253,701
Due to other governments	-	343,183
Deposit payable	352,554	50,036
Long-term debt:		
Due within one year	-	4,727,105
Due in more than one year	-	27,747,722
Total liabilities	\$ 353,223	34,138,829
NET POSITION (DEFICIT)		
Held in trust		\$ (25,199,462)

City of South Gate
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Successor Agency of the Former Community Development Commission
ADDITIONS:	
Redevelopment property tax trust fund	\$ 6,413,135
Use of money and property	26,592
Total additions	6,439,727
DEDUCTIONS:	
Contractual services	129,329
Administrative services	185,423
Depreciation expense	19,089
Interest expense and fiscal charges	1,095,717
Total deductions	1,429,558
Changes in Net Position	5,010,169
NET POSITION:	
Beginning of year	(30,209,631)
End of year	\$ (25,199,462)

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of South Gate
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For the Year Ended June 30, 2017

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City of South Gate
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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

Blended component units, although legally separate entities, are, in substance part of the government's operation and so data from these units are combined with data of the primary government. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

The City Council acts as the governing body and is able to impose its will on the following organizations and establishing financial accountability. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. All component units have a June 30 year-end.

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 ("Housing Authority")** 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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Description of the Reporting Entity (Continued)

The South Gate Public Financing Authority (“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.

The following specific criteria were used in determining the status of these component units:

- Members of the City Council also act as the governing body of the Utility Authority, the Housing Authority, and the Financing Authority.
- The City, the Utility Authority, the Housing Authority, and the Financing Authority are financially interdependent.
- The Utility Authority, the Housing Authority, and the Financing Authority are managed, at least in part, by employees of the City, who provide various support functions including financial reporting and investment decisions.

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

The City’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Government Accounting Standards Board is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund and similar activities. The effect of inter-fund services provided and used between functions is not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other no exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the *accrual basis* of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Certain indirect costs are included in program expenses reported for individual functions and activities.

City of South Gate
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements

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.

Governmental Fund Financial Statements

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.

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.

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.
- *Grants Special Revenue Fund* - This fund is used to account for all Federal, State, and local grants not specified in other funds.
- *Capital Improvements Capital Projects Fund* – This fund accounts for various capital projects from resources committed by the City Council.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

Proprietary fund *operating* revenues and expenses, such as charges for services, and payments to employees and vendors, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues and expenses, such as subsidies, investment earnings, changes in fair value of investments and interest charges result from non-exchange transactions or ancillary activities.

The concept of major funds extends to Proprietary Funds. The City has identified the funds below as major proprietary funds. Individual non-major funds may be found in the supplemental section.

- *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.

The City also reports the following proprietary 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.

Fiduciary Fund Financial Statements

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.

The City also reports the following fiduciary funds:

- *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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Cash, Investments, and Cash Equivalent

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.

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.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas are presented in the footnotes:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year end and other disclosures.

D. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets and liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

E. 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.

F. Prepaid Items

The prepaid items are payments made to vendors for costs applicable to future accounting periods and are recorded under the consumption method in both government-wide and fund financial statements. .

G. Inventories

Inventories of supplies are recorded at cost, whereas inventories held for resale are recorded at lower of cost or market using the first-in, first-out (FIFO) method. The cost of inventory is recorded as an asset when purchased and is expensed when consumed.

H. Property Held for Resale

Land held for resale is recorded in the City's Housing Successor Special Revenue 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. Land held for resale at June 30, 2017, in the City's Housing Successor Special Revenue Fund and in the Private-Purpose Trust Fund – Successor Agency of the Former CDC are \$2,190,000 and \$1,463,492, respectively.

I. 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 acquisition 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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

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 City's infrastructure assets are recorded at historical cost or at estimated historical cost if actual historical cost was not available. 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.

For infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting.

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

J. Deferred Outflows/Inflows of Resources

The Statement of Net Position and the Balance Sheet report separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

K. 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 plans. 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.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

<u>PARS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

L. Compensated Absences

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

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

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, 2017, 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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

L. *Compensated Absences (Continued)*

A 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.

M. *Long-Term Obligations*

In the government-wide financial statements and proprietary 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.

N. *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 and any deferred outflows or inflows of resources that are attributed to the acquisition, construction, or improvement of the assets, net of unspent debt proceeds and deferred gain/loss on refunding.

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

Unrestricted Net Position – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Fund Balance

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

Nonspendable – This 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, loans receivable, and property held for resale, unless the proceeds from the collection of those receivables or from sale of the properties is restricted, committed, or assigned; or (b) legally or contractually required to be maintained intact.

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

Committed – This 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. 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.

As part of the City’s initiative to prepare for potential economic downturns or a major emergency, the City Council has committed funds as emergency reserves. As of June 30, 2017, the City has committed \$5,000,000 in the emergency reserves. The commitments are made through council approval establishing and amending the reserve amounts.

Assigned – This 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 – This 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.

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 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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

P. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Change in Accounting Policy

GASB Statement No. 77, *Tax Abatement Disclosures*: this Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City's fiscal year ending June 30, 2017. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*: this Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). Application of this statement is effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*: this Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Application of this statement is effective for the fiscal year ending June 30, 2017.

GASB has issued Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 - Cash and Investments

As of June 30, 2017, cash and investments were reported in the accompanying financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Funds</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Statement of</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Net Position</u>	
Cash and investments	\$ 59,770,516	\$ 23,146,974	\$ 82,917,490	\$ 1,560,724	\$ 84,478,214
Cash and investments with fiscal agent	225,698	6,265,514	6,491,212	3,666,929	10,158,141
Total cash and investments	<u>\$ 59,996,214</u>	<u>\$ 29,412,488</u>	<u>\$ 89,408,702</u>	<u>\$ 5,227,653</u>	<u>\$ 94,636,355</u>

Cash and investments as of June 30, 2017 consisted of the following:

Cash:	
Cash on hand	\$ 16,904
Deposits with financial institution	2,748,454
Total Cash	<u>2,765,358</u>
Investments:	
Investments	81,712,856
Investments held by bond trustee	10,158,141
Total Investments	<u>91,870,997</u>
Total Cash and Investments	<u>\$ 94,636,355</u>

The City 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.

A. Demand Deposits

At June 30, 2017, the carrying amount of the City's deposits was \$2,748,454 and the bank balance was \$4,410,641. The \$1,662,187 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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 - Cash and Investments (Continued)

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

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

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Obligations	Yes	5 years	None	None
U.S. Government Sponsored Enterprise Securities	Yes	5 years	None	None
Bankers' Acceptances	Yes	180 days	40%	30%
Commercial Papers	Yes	270 days	25%	10%
Non-Negotiable Certificates of Deposit	Yes	5 years	None	None
Medium-Term Notes	Yes	5 years	30%	10%
Money Market Mutual Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None

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

C. 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 Types	Maximum Maturity	Percentage Allowed	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 Papers	1 year	25%	10%
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Agreements	N/A	None	None

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 - Cash and Investments (Continued)

D. Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City's investments with LAIF at June 30, 2017, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the City had \$48,234,243 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities.

E. Fair Value Measurement

At June 30, 2017, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Measurement Input		Total
	Level 2	Not subject to measurement	
Local Agency Investment Fund	\$ -	\$ 48,234,243	\$ 48,234,243
Certificates of deposits		2,700,000	2,700,000
Money market funds	-	588,104	588,104
U.S. government sponsored enterprise securities	30,684,738	-	30,684,738
Held by bond trustee:			-
Life insurance contracts	-	1,385,000	1,385,000
Money market funds	-	8,278,912	8,278,912
Total	\$ 30,684,738	\$ 61,186,259	\$ 91,870,997

F. Risk Disclosures

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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 - Cash and Investments (Continued)

F. Risk Disclosures (Continued)

Credit Risk (Continued)

At June 30, 2017, the City's investments are rated as following:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Ratings at Year-End AA or AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 48,234,243	N/A	\$ -	\$ 48,234,243
Certificates of Deposits	2,700,000	N/A	-	2,700,000
Money market funds	588,104	AAA	588,104	-
U.S. government sponsored enterprise securities	30,684,738	AAA	30,684,738	-
Held by Bond Trustee:				
Life insurance contracts	1,385,000	N/A	-	1,385,000
Money market funds	8,278,912	AAA	8,278,912	-
	<u>\$ 91,870,997</u>		<u>\$ 39,551,754</u>	<u>\$ 52,319,243</u>

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, 2017, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions with the exception of U.S. Treasury securities, federal agency securities, U.S. government sponsored enterprise securities, overnight sweep accounts, and authorized pools that 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, 2017, the City is in compliance with its investment policy.

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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 - Cash and Investments (Continued)

F. Risk Disclosures (Continued)

Interest Rate Risk (Continued)

As of June 30, 2017, the City had the following investments and original maturities:

Investment Type	Totals	Remaining Maturing (In Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund	\$ 48,234,243	\$ 48,234,243	\$ -	\$ -	\$ -
Certificates of deposits	2,700,000	2,700,000	-	-	-
Money market funds	588,104	588,104	-	-	-
U.S. government sponsored enterprise securities	30,684,738	-	7,964,200	22,720,538	-
Held by bond trustee:					
Life insurance contracts	1,385,000	-	-	-	1,385,000
Money market funds	8,278,912	5,375,062	-	-	2,903,850
Total	\$ 91,870,997	\$ 56,897,409	\$ 7,964,200	\$ 22,720,538	\$ 4,288,850

Note 3 - Settlement Receivable

The City 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, 2017. See Note 5.

Note 4 - Notes and Loans Receivable

Summary of changes in notes and loans receivable is as follows:

	Balance July 1, 2016	Additions	Deletions	Allowance	Balance June 30, 2017
Rental Rehabilitation	\$ 17,433	\$ -	\$ -	\$ -	\$ 17,433
Section 8 Repayment Program	14,415	9,492	2,915	(6,577)	14,415
Housing and Urban Development	565,417	-	259,167	-	306,250
CDBG and First Time Home Buyers	7,160,904	2,295,839	267,073	-	9,189,670
CallHome Loan Program	-	400,000	-	-	400,000
Total	\$ 7,758,169	\$ 2,705,331	\$ 529,155	\$ (6,577)	\$ 9,927,768

A. Rental Rehabilitation

The City 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, 2017, the City has one rental rehabilitation outstanding balance in the amount of \$17,433.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 - Notes and Loans Receivable (Continued)

B. Section 8 Repayment Program

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, 2017, the outstanding balance is \$14,415.

C. Housing and Urban Development

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, 2017, the City has an outstanding loan balance from Llovio Ford, Inc. in the amount of \$306,250.

D. CDBG First Time Home Buyer

The Community Development Department 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. This program provides zero percent interest silent second down payment assistance loans to residents who meet certain qualifications for the purpose of providing homeownership assistance to low and moderate income families.

The loans are secured by a deed of trust and monthly payments are not required. The loans become due and payable when any of the following occurs: 1) the property is sold or transferred, 2) property is no longer owner-occupied, 3) property is refinanced, 4) the last surviving borrower dies, at which time full repayment would be required, the loan is never forgiven. At June 30, 2017, the outstanding balance is \$9,189,670.

E. CalHome Loan Program

The Community Development Department of the City of South Gate operates a Homeowner Rehabilitation Program to assist low-income qualified residents make needed home repairs. Home repairs include such things as new energy efficient windows, new roof, upgraded electrical and plumbing, and to address other substandard conditions.

A one-time funding of \$1,000,000 was awarded by the State of California Housing and Community Development Department to assist at least 15 residents with zero percent interest loans. This loan program is capped at \$50,000 per household and is due and payable when any of the following occurs: 1) the property is sold or transferred, 2) property is no longer owner-occupied, 3) property is refinanced, 4) the last surviving borrower dies, or 5) at the end of thirty (30) years from loan origination, at which time full repayment would be required. The loan is never forgiven. At June 30, 2017, the outstanding balance is \$400,000.

Note 5 - Unavailable Revenue

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

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 - Unavailable Revenue (Continued)

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

	General Fund	Grants Special Revenue Fund	Total
Unavailable federal and state grant revenue	\$ -	\$ 2,551,834	\$ 2,551,834
State and local retail sales tax	773,026	-	773,026
Settlement receivable (Note 3)	76,712	-	76,712
Towne Center Plaza security receivable	238,130	-	238,130
SGP Auditorium reimbursement	43,125	-	43,125
M&S excess fund remittance	185,000	-	185,000
Total	<u>\$ 1,315,993</u>	<u>\$ 2,551,834</u>	<u>\$ 3,867,827</u>

Note 6 - Interfund Transactions

A. Due To/From Other Funds

	Due to Other Funds		
	Grants Special Revenue Fund	Nonmajor Governmental Funds	Total
Due from Other Funds			
General Fund	\$ 6,946,256	\$ 1,125,998	\$ 8,072,254
Water Fund	-	2,122	2,122
Internal Service Fund	-	44,889	44,889
Total	<u>\$ 6,946,256</u>	<u>\$ 1,173,009</u>	<u>\$ 8,119,265</u>

Current interfund receivables and payables are the result of short-term borrowings at June 30, 2017.

B. 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, 2017, is \$8,870,474.

The annual requirement to repay the advance is as follows:

	Principal	Interest
2018	\$ 986,632	\$ 443,524
2019	1,035,964	394,192
2020	1,087,762	342,394
2021	1,142,150	288,006
2022-2025	4,617,966	551,674
	<u>\$ 8,870,474</u>	<u>\$ 2,019,790</u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 - Interfund Transactions (Continued)

C. Interfund Transfers

Transfers In	Transfers Out						Total
	General Fund	Special Revenue Grants Fund	Nonmajor Governmental Funds	Utility Authority Water Enterprise Fund	Utility Authority Sewer Enterprise Fund	Internal Service Fund	
Capital Improvement							
Capital Projects Fund	\$ 2,111,630	\$ 5,982,139	\$ 2,792,000	\$ 65,132	\$ -	\$ 161,212	\$ 11,112,113
Nonmajor Governmental Funds	-	-	100,000	-	-	-	100,000
Utility Authority Water Enterprise Fund	-	1,359,374	-	-	223,595	-	1,582,969
Total	\$ 2,111,630	\$ 7,341,513	\$ 2,892,000	\$ 65,132	\$ 223,595	\$ 161,212	\$ 12,795,082

The General Fund transferred \$2,111,630 to the Capital Improvement Fund to pay for capital improvement projects. The transfers to the Capital Improvement Fund from the Grants Special Revenue Fund and nonmajor governmental funds were to pay for capital improvement projects. The Internal Service Fund transferred \$161,212 to the Capital Improvement Fund to pay for capital improvement projects.

The transfer from CDBG to the HOME Program Fund (nonmajor) in the amount of \$100,000 was to pay for program delivery cost. The transfer from Grants Special Revenue Fund to the Water Fund in the amount \$1,359,374 was to pay for Elizabeth reservoir and Santa Fe tank project.

The Water Fund transferred funds to the Capital Improvement Fund to pay for capital improvement projects. The Sewer Fund transferred funds to the Water Fund to pay a portion of the debt service payment on the 2001 Utility Authority Bonds.

Note 7 - Capital Assets

Capital assets activity for Governmental Activities for the year ended June 30, 2017, follows

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 3,738,993	\$ -	\$ -	\$ -	\$ 3,738,993
Construction in progress	18,085,735	9,487,991	-	(3,144,024)	24,429,702
Total capital assets, not being depreciated	21,824,728	9,487,991	-	(3,144,024)	28,168,695
Capital assets, being depreciated:					
Structures and improvements	28,066,943	-	-	-	28,066,943
Machinery and equipment	11,590,951	876,978	(82,185)	-	12,385,744
Infrastructure street network	344,691,240	2,240,738	-	3,144,024	350,076,002
Subtotal	384,349,134	3,117,716	(82,185)	3,144,024	390,528,689
Less accumulated depreciation					
Structures and improvements	(13,516,630)	(801,767)	-	-	(14,318,397)
Machinery and equipment	(9,595,761)	(764,166)	82,185	-	(10,277,742)
Infrastructure street network	(153,553,022)	(8,002,786)	-	-	(161,555,808)
Subtotal	(176,665,413)	(9,568,719)	82,185	-	(186,151,947)
Total capital assets, being depreciated	207,683,721	(6,451,003)	-	3,144,024	204,376,742
Total capital assets, net	\$ 229,508,449	\$ 3,036,988	\$ -	\$ -	\$ 232,545,437

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 - Capital Assets (Continued)

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

General government	\$	33,525
Public safety		287,937
Parks and recreation		725,533
Community development		33,335
Public works		8,414,071
Fleet management		9,957
Information system		64,361
Total depreciation expense	\$	9,568,719

Capital assets activity for Business-Type Activities for the year ended June 30, 2017, follows:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Water rights	\$ 1,933,144	\$ -	\$ -	\$ -	\$ 1,933,144
Land	1,290,602	-	-	-	1,290,602
Construction in progress	6,738,294	8,053,329	-	-	14,791,623
Total capital assets, not being depreciated	9,962,040	8,053,329	-	-	18,015,369
Capital assets, being depreciated:					
Structures and improvements	4,190,415	-	-	-	4,190,415
Machinery and equipment	6,739,831	5,000	-	-	6,744,831
Infrastructure street network	56,247,240	-	-	-	56,247,240
Subtotal	67,177,486	5,000	-	-	67,182,486
Less accumulated depreciation					
Structures and improvements	(1,102,857)	(98,308)	-	-	(1,201,165)
Machinery and equipment	(3,885,523)	(304,332)	-	-	(4,189,855)
Infrastructure street network	(25,087,095)	(1,318,355)	-	-	(26,405,450)
Subtotal	(30,075,475)	(1,720,995)	-	-	(31,796,470)
Total capital assets, being depreciated	37,102,011	(1,715,995)	-	-	35,386,016
Total capital assets, net	\$ 47,064,051	\$ 6,337,334	\$ -	\$ -	\$ 53,401,385

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

Water Enterprise Fund	\$	1,140,055
Sewer Enterprise Fund		580,940
Total depreciation expense	\$	1,720,995

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 - Long-Term Liabilities

A. Governmental Activities

The following is summary of changes in governmental activities long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	Addition	Deletion	Balance June 30, 2017	Classification	
					Due within One Year	Due in More Than One Year
Governmental Activities:						
SCE Edison financing agreements	\$ 825,116	\$ -	\$ (94,861)	\$ 730,255	\$ 95,841	\$ 634,414
Notes payable:						
1998 Section 108 HUD Note	560,000	-	(305,000)	255,000	255,000	-
2000A Section 108 HUD Note	1,130,000	-	(255,000)	875,000	275,000	600,000
Total notes payable	1,690,000	-	(560,000)	1,130,000	530,000	600,000
Pension obligation bonds:						
2005 Pension obligation bonds	17,445,000	-	(1,070,000)	16,375,000	1,130,000	15,245,000
Total pension obligation bonds	17,445,000	-	(1,070,000)	16,375,000	1,130,000	15,245,000
Claims and judgments	8,330,728	1,316,642	(282,908)	9,364,462	1,475,000	7,889,462
Compensated absences	4,732,772	2,359,824	(2,469,112)	4,623,484	355,653	4,267,831
Other post employment benefits obligations	6,483,845	2,221,583	-	8,705,428	-	8,705,428
Net pension liabilities	56,262,154	15,148,954	-	71,411,108	-	71,411,108
Total	\$ 95,769,615	\$ 21,047,003	\$ (4,476,881)	\$ 112,339,737	\$ 3,586,494	\$ 108,753,243

Southern California Edison On-Bill Financing

The City entered into a financing agreement with Southern California Edison to provide five loans for a total of \$882,556 for the implementation of certain energy conservation measures at City facilities. The City is to make monthly payments of \$7,946 over a ten year period. Payments commenced on December 30, 2015, and the last payment will be made on June 30, 2026. The loan has no interest. At June 30, 2017, the outstanding balance is \$730,255.

The annual requirements to amortize the outstanding loan as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 95,841	\$ -	\$ 95,841
2018	95,351	-	95,351
2019	95,351	-	95,351
2020	95,351	-	95,351
2021	95,351	-	95,351
2022-2026	253,010	-	253,010
	<u>\$ 730,255</u>	<u>\$ -</u>	<u>\$ 730,255</u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 - Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

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, 2017, the outstanding balance is \$255,000.

The annual requirements to amortize the outstanding notes payable as of June 30, 2017, is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 255,000	\$ 3,739	\$ 258,739
Total	\$ 255,000	\$ 3,739	\$ 258,739

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%. The loan was refunded by 2000-A Section 108 Loan during the year ended June 30, 2000, the 2000-A loan bears interest ranges from 7.808 to 7.858%. As of June 30, 2017, the outstanding balance is \$875,000.

The annual requirements to amortize the outstanding notes payable as of June 30, 2017, is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 275,000	\$ 58,535	\$ 333,535
2019	600,000	48,500	648,500
Total	\$ 875,000	\$ 107,035	\$ 982,035

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 \$1,070,000 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, 2017, the outstanding balance on the bonds is \$16,375,000.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 - Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Debt Service Requirements

The following schedule summarizes the debt service to maturity requirements for governmental activities bonds payable outstanding as of June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,130,000	\$ 883,685	\$ 2,013,685
2019	1,190,000	822,439	2,012,439
2020	1,255,000	689,920	1,944,920
2021	1,320,000	618,772	1,938,772
2022	1,395,000	543,582	1,938,582
2023-2026	6,365,000	1,138,638	7,503,638
2027-2028	3,720,000	303,458	4,023,458
Total	\$ 16,375,000	\$ 5,000,493	\$ 21,375,493

Claims and Judgments

The City's liability regarding self-insurance is described in Note 12 of the Notes to Basic 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, 2017, was \$4,623,484. Vacation, sick leave, holiday and compensatory time are recorded as expenditures in the related funds when used.

B. Business-Type Activities

The following is summary of changes in business-type activities long-term liabilities for the year ended June 30, 2017:

	Balance			Classification		
				Due within One Year	Due in More Than One Year	
	July 1, 2016	Addition	Deletion	June 30, 2017		
Business-Type Activities:						
2001 Subordinate Revenue Bonds	\$ 6,272,485	\$ 252,859	\$ (1,385,000)	\$ 5,140,344	\$ 1,385,000	\$ 3,755,344
2012 Water Revenue Bonds	33,685,000	-	(220,000)	33,465,000	230,000	33,235,000
Unamortized premium	1,229,946	-	(58,569)	1,171,377	58,569	1,112,808
Total revenue bonds	41,187,431	252,859	(1,663,569)	39,776,721	1,673,569	38,103,152
Compensated absences	333,384	244,249	(209,309)	368,324	28,333	339,991
Net Pension Liability	3,207,831	1,027,368	-	4,235,199	-	4,235,199
Total	\$ 44,728,646	\$ 1,524,476	\$ (1,872,878)	\$ 44,380,244	\$ 1,701,902	\$ 42,678,342

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 - Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

2001 Subordinate Revenue Bonds

On November 13, 2001, \$30,965,451 of Subordinate Revenue Bonds (2001 Series) were issued by the Utility Authority, a public financing authority established by the City 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, 2017, the reserve requirement was \$1,385,001. The balance held in the reserve account as of June 30, 2017, was \$1,419,417.

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 \$5,140,344 at June 30, 2017.

The following schedule summarizes the debt service to maturity requirements for the bonds outstanding as of June 30, 2017:

Year Ending			
June 30,	Principal	Interest	Total
2018	\$ 1,385,000	\$ -	\$ 1,385,000
2019	1,385,000	-	1,385,000
2020	1,385,000	-	1,385,000
2021	1,385,000	-	1,385,000
Total	5,540,000	\$ -	\$ 5,540,000
Unaccreted Discount	(399,656)		
	<u>\$ 5,140,344</u>		

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 - Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

2001 Subordinate Revenue Bonds (Continued)

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 \$8,695,733. 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, 2017, the reserve requirement was \$2,936,225. The balance held in the reserve account as of June 30, 2017, was \$2,905,127 in investment contracts and an insurance policy to cover the remaining \$31,098. At June 30, 2017, the unamortized bond premium balance is \$1,171,377 and the outstanding balance on the bonds is \$33,465,000. 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 net water revenue received during the year was \$8,948,098. Total principal and interest paid for the fiscal year was \$1,745,650.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 - Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

2012 Series Water Revenue Bonds (Continued)

The following schedule summarizes the debt service to maturity requirements for the bonds outstanding as of June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 230,000	\$ 1,521,250	\$ 1,751,250
2019	240,000	1,512,050	1,752,050
2020	250,000	1,502,450	1,752,450
2021	260,000	1,492,450	1,752,450
2022	1,450,000	1,482,050	2,932,050
2023-2026	6,475,000	5,263,263	11,738,263
2027-2030	7,920,000	3,815,026	11,735,026
2031-2034	8,710,000	2,284,300	10,994,300
2035-2038	7,930,000	860,200	8,790,200
Total	\$ 33,465,000	\$ 19,733,039	\$ 53,198,039

Compensated Absences

For the enterprise funds, accumulated vacation, sick leave, holiday and compensatory time amounted to \$368,324 at June 30, 2017. 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 year ended June 30, 2017, the City contributed \$14,821 to the plan.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans

The following is the summary of net pension liability and related deferred outflows of resources and deferred inflows of resources at June 30, 2017 and pension expense for the year then ended.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 3,330,203	\$ 583,079	\$ 3,913,282
CalPERS Safety	2,345,934	-	2,345,934
Total pension contribution made after measurement date	<u>5,676,137</u>	<u>583,079</u>	<u>6,259,216</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	8,010,749	1,402,587	9,413,336
CalPERS Safety	5,066,207	-	5,066,207
PARS	50,697	-	50,697
Total projected earnings on pension plan investments in excess of actual earnings	<u>13,127,653</u>	<u>1,402,587</u>	<u>14,530,240</u>
Adjustment due to difference in proportions			
CalPERS Safety	1,143,324	-	1,143,324
Total deferred outflows of resources	<u>\$ 19,947,114</u>	<u>\$ 1,985,666</u>	<u>\$ 21,932,780</u>
Net pension liabilities:			
CalPERS Miscellaneous	\$ 27,492,131	\$ 4,235,199	\$ 31,727,330
CalPERS Safety	43,486,293	-	43,486,293
PARS	432,684	-	432,684
Total net pension liabilities	<u>\$ 71,411,108</u>	<u>\$ 4,235,199</u>	<u>\$ 75,646,307</u>
Deferred inflows of Resources:			
Change in assumption			
CalPERS Miscellaneous	\$ 376,373	\$ 32,564	\$ 408,937
CalPERS Safety	1,031,194	-	1,031,194
Total change in assumption	<u>1,407,567</u>	<u>32,564</u>	<u>1,440,131</u>
Adjustment due to difference in proportions			
CalPERS Safety	646,847	-	646,847
Employer contributions in excess of proportionate share of contribution			
CalPERS Safety	1,939,024	-	1,939,024
Difference between expected and actual experience			
CalPERS Miscellaneous	693,636	116,019	809,655
CalPERS Safety	236,508	-	236,508
Total difference between expected and actual experience	<u>930,144</u>	<u>116,019</u>	<u>1,046,163</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	3,114,773	523,957	3,638,730
PARS	20,166	-	20,166
Total projected earnings on pension plan investments in excess of actual earnings	<u>3,134,939</u>	<u>523,957</u>	<u>3,658,896</u>
Total deferred inflows of resources	<u>\$ 8,058,521</u>	<u>\$ 672,540</u>	<u>\$ 8,731,061</u>
Pension expenses:			
CalPERS Miscellaneous	\$ 1,472,809	\$ 313,106	\$ 1,785,915
CalPERS Safety	2,997,096	-	2,997,096
PARS	20,166	-	20,166
Total net pension expenses	<u>\$ 4,490,071</u>	<u>\$ 313,106</u>	<u>\$ 4,803,177</u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS")

General Information about the Pension Plan

Plan Description

The City contribution to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer defined benefit plan for safety employees. CalPERS act as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. 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 the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits provisions under both plans are established by the State statute and City resolution as follows:

	Miscellaneous Plan		Safety Plan	
	Classic	PEPRA	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 55
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50	minimum 50	minimum 50	minimum 50
Monthly benefits, as a % of eligible compensation	2.000% - 2.700%	1.000% - 2.500%	2.400% - 3.000%	1.426% - 2.418%
Required employee contribution rates	8.000%	6.750%	9.000%	12.250%
Required employer contribution rates	18.099%	18.099%	20.230%	12.250%

Participants are eligible for non-industrial disability retirement if becomes disabled and has at least 5 years credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Employees Covered by Benefit Terms

At June 30, 2015, valuation date, the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>	
		<u>Classic</u>	<u>PEPRA</u>
Active employees	235	62	10
Transferred and terminated employees	393	31	2
Retired Employees and Beneficiaries	322	18	-
Total	950	111	12

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.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% includes inflation
Mortality Rate Table	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.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 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.

Change in Assumption

GASB 68, paragraph 68 states that the long- term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.65% (net of administrative expense in 2015) to 7.65 percent as of the June 30, 2016 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (“PERF”). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

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. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation of 2.5% used.

² An expected inflation of 3.0% used.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

Changes in the Net Pension Liability

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

	Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 (Valuation Date)	\$ 131,113,128	\$ 106,280,887	\$ 24,832,241
Changes Recognized for the Measurement Period:			
Service Cost	2,261,496	-	2,261,496
Interest on the total pension liability	9,807,665	-	9,807,665
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(1,238,446)	-	(1,238,446)
Changes of assumptions	-	-	-
Contributions from the employer	-	2,371,025	(2,371,025)
Contributions from employees	-	1,117,889	(1,117,889)
Net investment income	-	511,739	(511,739)
Administrative expenses	-	(64,773)	64,773
Plan to plan resource movement	-	(254)	254
Benefit payments, including refunds of employee contributions	(5,601,315)	(5,601,315)	-
Net Changes during July 1, 2015 to June 30, 2016	\$ 5,229,400	\$ (1,665,689)	\$ 6,895,089
Balance at June 30, 2016 (Measurement Date)	\$ 136,342,528	\$ 104,615,198	\$ 31,727,330

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the City’s safety plan’s proportionate share of the risk pool collective net pension liability over the measure period.

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 (Valuation Date)	\$ 151,504,072	\$ 117,370,165	\$ 34,133,907
Balance at June 30, 2016 (Measurement Date)	154,174,120	110,687,826	43,486,293
Net Changes during 2015-2016	2,670,048	(6,682,339)	9,352,386

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

Changes in the Net Pension Liability (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the City’s share of contributions made during the measurement period.

The City’s proportionate share of the net pension liability was as follows:

	Safety Plan
June 30, 2015	0.497295%
June 30, 2016	0.502550%
Change - Increase (Decrease)	0.005255%

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

Changes in the Net Pension Liability (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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Miscellaneous Plan	\$ 51,181,444	\$ 31,727,330	\$ 15,864,603
Safety Plan	\$ 64,414,451	\$ 43,486,293	\$ 26,306,421

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2017, the City recognized pension expense in the amounts of \$2,127,367 and \$4,776,949 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan	
	Deferred outflows	Deferred inflows
	of Resources	of Resources
Pension contribution after measurement date	\$ 3,913,282	\$ -
Changes of assumptions	-	(408,937)
Difference between expected and actual experience	-	(809,655)
Net difference between projected and actual earning on pension plan investments	9,413,336	(3,638,730)
Total	\$ 13,326,618	\$ (4,857,322)

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

A. California Public Employees’ Retirement System (“CalPERS”) (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

	Safety Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 2,345,934	\$ -
Changes of assumptions	-	(1,031,194)
Difference between expected and actual experience	-	(236,508)
Adjustment due to differences in proportions	1,143,324	(646,847)
Employer contributions in excess (under) proportionate contributions	-	(1,939,024)
Net difference between projected and actual earning on pension plan investments	5,066,207	-
Total	\$ 8,555,465	\$ (3,853,573)

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and the safety risk pool for the 2015-16 measurement period is 2.4 and 3.8 years, which was obtained by dividing the total service years of 2,220 and 467,023 (the sum of remaining service lifetimes of the active employees) by 932 and 122,410 (the total number of participants: active, inactive, and retired), respectively.

\$3,913,282 and \$2,345,934 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources
Ended June 30	Miscellaneous	Safety
2017	\$ (153,237)	\$ (985,629)
2018	569,976	(391,935)
2019	2,637,031	2,414,641
2020	1,502,243	1,318,881
2021	-	-
Thereafter	-	-
	4,556,013	2,355,958

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

B. Supplemental Retirement Plan

General Information about the Pension Plan

Plan Description

Effective July 1, 2002, the City established a supplemental retirement plan with the Public Agency Retirement System (“PARS”). The supplemental retirement plan administered by PARS (the “PARS plan”) is an agent multiple-employer defined benefit pension plan. The PARS plan is separated into two tiers. The PARS 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. Eligibility to receive benefits is as follows:

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

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

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

Employees Covered by Benefit Terms

At June 30, 2016, the valuation date, plan membership consisted of the following:

Active employees	2
Terminated employees	7
Retired Employees and Beneficiaries	23
Total	<u>32</u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

B. Supplemental Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions

The employer contribution rates for all public employees are determined on an annual basis by the actuary and are 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. For the measurement period ended June 30, 2017 (the measurement date), the employer's contribution rate was 11.97% of annual payroll. For the year ended June 30, 2017, the City contributed \$90,316 to the plan. No contributions are required from the employees.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by June 30, 2016 valuation. The June 30, 2016 and the June 30, 2017 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	2.75%
Salary Increases	Graded rates based on years of service, 3.85% after 22 years of service
Investment return	7.00%
Cost of Living Adjustment	2.00%
Mortality	Consistent with non-industrial rates used to value the Miscellaneous CalPERS Pension Plans
Retirement	Varies by Age, 100% for 75+

Changes in Actuarial Assumptions

Actuarial assumptions were updated by Milliman for pre-retirement mortality, disability, salary increases and retirement based on a CalPERS experience study released in January 2014. Post-retirement mortality was updated to apply full generational projections using scale AA. The inflation assumption was lowered from 3.0% to 2.75%.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

B. Supplemental Retirement Plan (Continued)

Net Pension Liability (Continued)

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 table below reflects long-term expected real return adjusted for inflation by asset classes:

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Cash	BofA Merrill Lynch 90-Day T-Bills	7.33%	0.36%	0.35%
Core Fixed Income	Barclays Aggregate	44.87%	2.17%	2.01%
Broad US Equities	Russell 3000	34.45%	4.83%	3.57%
Developed Foreign Equity	MSCI EAFE	8.83%	5.76%	4.15%
Emerging Market Equities	MSCI Emerging Markets	3.11%	8.06%	4.84%
U.S. REITs	FTSE NAREIT Equity REIT	1.41%	5.04%	3.27%
		100.00%		
Assumed Inflation - Mean			2.32%	2.30%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			3.50%	3.14%
Portfolio Nominal Mean Return			5.81%	5.52%
Portfolio Standard Deviation				8.08%
Long-Term Expected Rate of Return				7.00%

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.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

B. Supplemental Retirement Plan (Continued)

Change in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016	\$ 1,409,901	\$ 906,064	\$ 503,837
Changes Recognized for the Measurement Period:			
Service Cost	9,276	-	9,276
Interest on the total pension liability	95,683	-	95,683
Effect of plan changes	-	-	-
Effect of expected and actual experience differences	-	-	-
Effect of assumptions changes or inputs	-	-	-
Contributions from the employer	-	89,262	(89,262)
Contributions from employees	-	-	-
Net investment income	-	91,701	(91,701)
Benefit payments, including refunds	(85,995)	(85,995)	-
Administrative expense	-	(4,851)	4,851
Net Changes during July 1, 2016 to June 30, 2017	\$ 18,964	\$ 90,117	\$ (71,153)
Balance at June 30, 2017 (Measurement Date)	\$ 1,428,865	\$ 996,181	\$ 432,684

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

The following presents the net pension liability of the City, 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 1% Decrease (6.00%)	Current Discount Rate (7.00%)	Discount Rate 1% Increase (8.00%)
Plan's Net Pension Liability	\$ 574,229	\$ 432,684	\$ 314,151

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available upon request.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

B. Supplemental Retirement Plan (Continued)

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

For the measurement period ended June 30, 2017, the City incurred pension income in the amount of \$31,300 for the PARS plan. As of the measurement date, June 30, 2017, the net pension liability is \$432,684.

As of June 30, 2017, the City reported deferred outflows and deferred inflows of resources related to PARS plan as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Projected earning on pension plan investments in excess of actual earnings	50,697	(20,166)
Total	\$ 50,697	\$ (20,166)

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:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 14,646
2019	14,646
2020	6,280
2021	(5,041)
2022	-
Thereafter	-
	\$ 30,531

The EARSLS for the PARS plan is 1 year by dividing the total service years of the active employees by total number of participants: active, inactive, and retired).

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 - Post Employment Benefits

A. Plan Description

The City provides extended health care benefits to eligible employees as required by collective bargaining agreements through a single-employer defined benefit post-employment healthcare plan. 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 the year ended June 30, 2017, the premiums paid by the city were \$150, \$200, and \$250 per month for miscellaneous employees, top management, and safety employees retired before July 1, 2005 respectively. For safety employees retired after July 1, 2005, the City pays up to the two-party Kaiser rate in effect on July 1, 2005 and increased up to 5% annually for those hired before November 26, 2014 and up to the two-party Kaiser rate in effect on date of retirement for those hired on or after November 26, 2014. The benefits are available only to employees who retire from the City. As of June 30, 2017, plan membership consisted of 309 active participants and 151 retirees and beneficiaries currently receiving benefits

B. 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 year ended June 30, 2017 was \$580,743, on a pay-as-you-go basis.

C. 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 (ARC)	\$	2,917,757
Interest on OPEB Obligations		246,386
Amortization Adjustment to ARC		(361,817)
Annual OPEB Cost		2,802,326
Contribution Made		(580,743)
Increase in Net OPEB Obligations		2,221,583
Net OPEB Obligations:		
Beginning of Year		6,483,845
End of Year	\$	<u>8,705,428</u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 - Post Employment Benefits (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

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, 2017, and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of APC Contributed	Net OPEB (Assets) Obligation
6/30/2015	\$ 1,031,025	\$ 549,135	53%	\$ 4,309,132
6/30/2016	2,756,059	581,346	21%	6,483,845
6/30/2017	2,802,326	580,743	21%	8,705,428

D. Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the Actuarial Accrued Liability for benefits was \$29,800,422, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability of \$29,800,422. The covered payroll (annual payroll of active employees covered by the Plan) was \$20,083,502, and the ratio of UAAL to the covered payroll was 148.38 percent.

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 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.

E. 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 June 30, 2016 valuation used the entry age normal actuarial cost method. The actuarial assumptions included a 3.80% investment rate of return. The four initial trend rates for medical costs are 5.90%, 5.80%, 5.70%, and 5.60% to an ultimate rate of 3.94% after 56 years. The PEMHCA rate is assumed to increase 3.0% in all future years. The maximum City contribution for Safety retirees is assumed to increase 5.0% in all future years.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 - Self Insurance

The City is self-insured for general, automobile, public liability and worker’s compensation claims. The City has purchased an excess insurance policy for worker compensation claims from Safety National Casualty Corporation. Under this policy, Safety National covers all workers’ compensation claim expenses over \$1,000,000 per claim for safety and over \$750,000 for non-safety. 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 (“ICRMA”), 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 \$250,000 per claim. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage.

Claims liability of \$9,364,462 reported in the Self-Insurance Internal Service Fund at June 30, 2017. Claims are 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.

Claims activities for the three years ended June 30, 2017 are presented as follows:

Years Ended	Beginning Balance	Addition	Deletion	Ending Balance
Worker's Compensation:				
June 30, 2015	\$ 6,075,652	\$ 1,297,766	\$ (1,215,608)	6,157,810
June 30, 2016	6,157,810	1,136,108	(410,769)	6,883,149
June 30, 2017	6,883,149	134,320	(282,908)	6,734,561
General Liability:				
June 30, 2015	1,307,678	1,590,321	(264,762)	2,633,237
June 30, 2016	2,633,237	502,401	(1,688,059)	1,447,579
June 30, 2017	1,447,579	1,182,322	-	2,629,901

Note 13 - 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 aggregate, are not expected to have a material adverse financial 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 \$3,653,492 which was acquired and recorded at acquisition cost. Due to the potential sale of the land in the future, the City may recognize a potential loss due to the fair market of the asset at the time of sale.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 - Construction Commitments

The following material construction commitments existed at June 30, 2017:

Project Name	Contract Amount	Expenditures to date as of June 30, 2017	Remaining Commitments
Upgrade Water Facilities-Well#29	\$ 5,049,902	\$ 4,266,845	\$ 783,056
Upgrade Water Facilities-Well#28	234,760	32,242	202,518
Sewer Improvements	99,590	18,516	81,074

Note 15 – Deficit Fund Balances and Net Position

The following funds contained a deficit at June 30, 2017:

Funds	Deficit
Governmental Funds:	
Grants Special Revenue	\$ 2,148,254
Nonmajor Governmental Funds:	
Traffic Safety Special Revenue	698,504
Bikeway Capital Projects	27
Ardine Assessment District Debt Service	26,087
Internal Service Funds:	
Insurance	1,184,385
Fleet Management	408,339
Fiduciary Funds:	
Successor Agency of the Former CDC	25,199,462

These deficits will be funded with future revenue.

Note 16 - Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2016 of the Government-wide Financial Statements was restated as follows:

	Governmental Activities	Business-Type Activities
Net position at July 1, 2016, as originally reported	\$ 218,138,280	\$ 22,941,975
Prior period adjustments:		
Notes receivable adjustment	2,034,579	-
Net position at July 1, 2016, as restated	<u>220,172,859</u>	<u>22,941,975</u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 16 - Prior Period Adjustments (Continued)

B. Governmental Fund Financial Statements

The beginning fund balances at July 1, 2016 for the governmental funds were restated as follows:

	Home Program Special Revenue Fund	Capital Improvement Capital Projects Fund
Fund balance at July 1, 2016, as originally reported	\$ 4,589,575	\$ 3,482,001
Prior period adjustments:		
Notes receivable adjustment	2,046,017	(11,438)
Fund balance at July 1, 2016, as restated	\$ 6,635,592	\$ 3,470,563

Note 17 - Excess Expenditures over Appropriations

Expenditures for the year ended June 30, 2017, exceeded the appropriations in the following fund:

Fund	Appropriations	Expenditures	Excess
Major Governmental Funds:			
General Fund			
General government	\$ -	\$ -	\$ -
Parks and recreation	7,267,939	6,429,127	838,812
Grants Special Revenue Fund			
Capital outlay	-	246,419	(246,419)
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Community Development Block Grant			
Interest and fiscal charges	83,166	83,854	(688)
HOME Program			
Community development	569,662	598,250	(28,588)
Housing Successor			
Community development	-	22,352	(22,352)
Asset Seizure			
Capital outlay	384,428	459,288	(74,860)
Traffic Safety			
Public safety	285,000	292,013	(7,013)
Gas Tax			
Capital outlay	-	276,078	(276,078)
UDAG			
Community development	335,059	359,678	(24,619)
Measure R Transit			
Public works	8,665	12,954	(4,289)

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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	\$	1,207,501
Cash and investments with fiscal agent		3,666,929
Total cash and investments		<u><u>\$ 4,874,430</u></u>

The Successor Agency’s funds are pooled with the City’s cash and investments in order to generate optimum interest income. See Note 2 for additional disclosures.

B. Notes and Loans Receivable

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>
			<u>June 30, 2017</u>
Family Trust Dudlext Housing Project	\$ 460,988	\$ -	\$ 51,222
Llovio Ford, Inc	174,000	-	24,000
Total	<u><u>\$ 634,988</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 75,222</u></u>

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

B. Notes and Loans Receivable (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 Dudlext Avenue consisting of 20 senior 1-bedroom units. South Gate Realty Group must comply with Housing and Urban Development (HUD) rents for 30 years from the certificate of occupancy date. The agreement states that 1/30th of the loan amount (\$51,222) will be forgiven each fiscal year starting from the occupancy date if South Gate Realty Group can illustrate compliance with the Disposition and Development Agreement (DDA). The DDA limits the rent at \$620 per unit less \$50 utility allowance for a net of \$570 per month or less. The compliance report is required to be submitted to the City each month in order to receive the \$51,222 annual forgiveness. At June 30, 2017, the outstanding balance on the loan is \$409,766.

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, 2017, the outstanding balance is \$150,000.

C. Capital Assets

The summary of changes in the successor agency's capital assets for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 1,686,000	\$ -	\$ -	\$ 1,686,000
Total capital assets, not being depreciated	1,686,000	-	-	1,686,000
Capital assets, being depreciated:				
Structures and improvements	381,785	-	-	381,785
Machinery and equipment	19,359	-	-	19,359
Subtotal	401,144	-	-	401,144
Less accumulated depreciation				
Structures and improvements	(182,936)	(19,089)	-	(202,025)
Machinery and equipment	(19,359)	-	-	(19,359)
Subtotal	(202,295)	(19,089)	-	(221,384)
Total capital assets, being depreciated	198,849	(19,089)	-	179,760
Total capital assets, net	\$ 1,884,849	\$ (19,089)	\$ -	\$ 1,865,760

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

D. Long-Term Liabilities

The summary of changes in the successor agency's long-term liabilities for the year ended June 30, 2017 is as follows

	Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due within One Year	Due in More Than One Year
Fiduciary Activities:						
Advances from City	\$ 2,859,088	\$ -	\$ (1,531,641)	\$ 1,327,447	\$ 1,327,447	\$ -
Tax allocation bonds:						
2014A Tax Allocation Bonds	27,430,000	-	(2,570,000)	24,860,000	2,645,000	22,215,000
Unamortized premium	3,507,922	-	(389,769)	3,118,153	389,769	2,728,384
2014B Tax Allocation Bonds	3,570,000	-	(365,000)	3,205,000	370,000	2,835,000
Unamortized discount	(40,884)	-	5,111	(35,773)	(5,111)	(30,662)
Total tax allocation bonds	34,467,038	-	(3,319,658)	31,147,380	3,399,658	27,747,722
Total	\$ 37,326,126	\$ -	\$ (4,851,299)	\$ 32,474,827	\$ 4,727,105	\$ 27,747,722

Advances from the City

A description of the advances payable to the City of South Gate as of June 30, 2017, 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, 2017, is \$875,000.

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 City won a court hearing on May 6, 2016 that resulted in the enforcement of the obligation.

\$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, 2017, is \$452,477.

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).

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

D. Long-Term Liabilities (Continued)

Advances from the City (Continued)

\$12,000,000 Advance (Continued)

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.

\$641,199 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 has been paid-off as of June 30, 2017.

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 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.

The 2014 Tax Allocation Revenue Bonds, Series A mature in amounts ranging from \$2,570,000 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, 2017, the reserve requirement was \$2,983,500 and the balance held in the reserve account was \$3,246,100.

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

D. Long-Term Liabilities (Continued)

2014 Tax Allocation Revenue Refunding Bonds (Continued)

The bonds were issued at a premium of \$4,287,460. At June 30, 2017, the unamortized premium is \$3,118,153 and the outstanding balance on the bonds is \$24,860,000.

The following schedule summarizes the debt service to maturity requirements for bonds payable outstanding as of June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,645,000	\$ 1,136,100	\$ 3,781,100
2019	2,755,000	1,028,100	3,783,100
2020	2,870,000	901,250	3,771,250
2021	3,000,000	754,500	3,754,500
2022	3,155,000	600,625	3,755,625
2023-2025	10,435,000	977,750	11,412,750
Total	\$ 24,860,000	\$ 5,398,325	\$ 30,258,325

The 2014 Tax Allocation Revenue Bonds, Series B mature in amounts ranging from \$365,000 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, 2017, the reserve requirement was \$392,000 and the balance held in the reserve account was \$420,829.

The bonds were issued at a discount of \$51,106. At June 30, 2017, the unamortized discount is \$35,773 and the outstanding balance on the bonds is \$3,205,000.

The following schedule summarizes the debt service to maturity requirements for bonds payable outstanding as of June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 370,000	\$ 96,679	\$ 466,679
2019	375,000	89,223	464,223
2020	380,000	79,874	459,874
2021	390,000	68,894	458,894
2022	400,000	56,544	456,544
2023-2025	1,290,000	77,822	1,367,822
Total	\$ 3,205,000	\$ 469,036	\$ 3,674,036

City of South Gate
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

D. Long-Term Liabilities (Continued)

2014 Tax Allocation Revenue Refunding Bonds (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.

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 \$33,932,361 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 \$6,413,135 and the debt service obligation on the bonds \$4,264,656.

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.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of South Gate
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 36,354,240	\$ 36,354,240	\$ 37,802,203	\$ 1,447,963
Licenses and permits	1,345,750	1,345,750	1,481,841	136,091
Intergovernmental	115,141	115,141	437,410	322,269
Charges for services	2,293,544	2,293,544	2,311,250	17,706
Use of money and property	1,710,000	1,710,000	826,309	(883,691)
Fines and forfeitures	990,000	990,000	1,032,943	42,943
Miscellaneous	4,146,144	4,146,144	3,369,070	(777,074)
Total revenues	46,954,819	46,954,819	47,261,026	306,207
EXPENDITURES:				
Current:				
General government				
City Council	207,064	207,064	201,814	5,250
City Clerk	593,964	593,964	499,187	94,777
City Treasurer	21,946	21,946	18,614	3,332
City Attorney	1,089,387	1,089,387	1,702,971	(613,584)
City Manager	1,014,014	1,044,014	1,039,282	4,732
Administrative Services	3,300,182	3,363,682	2,999,947	363,735
Total general government	6,226,557	6,320,057	6,461,815	(141,758)
Public safety	23,300,127	23,598,622	22,804,152	794,470
Community development	2,924,742	3,003,584	2,083,456	920,128
Parks and recreation	7,067,939	7,267,939	6,429,127	838,812
Public works	3,715,562	2,880,849	3,368,054	(487,205)
Capital outlay	1,702,688	1,702,688	373,985	1,328,703
Debt service:				
Principal retirement	1,070,000	1,070,000	1,070,000	-
Interest and fiscal charges	941,679	944,679	944,649	30
Total expenditures	46,949,294	46,788,419	43,535,238	3,253,181
REVENUES OVER (UNDER) EXPENDITURES	5,525	166,400	3,725,788	3,559,388
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,524,160)	(8,237,307)	(2,111,630)	6,125,677
Total other financing sources (uses)	(3,524,160)	(8,237,307)	(2,111,630)	6,125,677
Net change in fund balance	\$ (3,518,635)	\$ (8,070,907)	1,614,158	\$ 9,685,065
Fund Balance:				
Beginning of year			46,127,576	
End of year			<u>\$ 47,741,734</u>	

City of South Gate
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - Grants Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 44,927,313	\$ 44,927,313	\$ 10,284,087	\$ (34,643,226)
Total revenues	<u>44,927,313</u>	<u>44,927,313</u>	<u>10,284,087</u>	<u>(34,643,226)</u>
EXPENDITURES:				
Current:				
Community development	-	-	246,419	(246,419)
Total expenditures	<u>-</u>	<u>-</u>	<u>246,419</u>	<u>(246,419)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>44,927,313</u>	<u>44,927,313</u>	<u>10,037,668</u>	<u>(34,889,645)</u>
OTHER FINANCING SOURCES:				
Transfers out	(44,927,313)	(44,927,313)	(7,341,513)	37,585,800
Total other financing sources	<u>(44,927,313)</u>	<u>(44,927,313)</u>	<u>(7,341,513)</u>	<u>37,585,800</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,696,155</u>	<u>\$ 2,696,155</u>
FUND BALANCE:				
Beginning of year, as restated (Note 16)			(4,844,409)	
End of year			<u>\$ (2,148,254)</u>	

City of South Gate
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

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.

City of South Gate
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement Period	2015-16	2014-15	2013-14¹
Service cost	\$ 2,261,496	\$2,160,710	\$ 2,209,895
Interest on total pension liability	9,807,665	9,431,040	9,016,106
Differences between expected and actual experience	(1,238,446)	(399,523)	-
Changes in assumptions	-	(2,453,625)	-
Changes in benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(5,601,315)	(5,359,664)	(5,203,224)
Net change in total pension liability	5,229,400	3,378,938	6,022,777
Total pension liability - beginning	131,113,128	127,734,190	121,711,413
Total pension liability - ending (a)	\$ 136,342,528	\$ 131,113,128	\$ 127,734,190
Plan fiduciary net position			
Contributions - employer	\$ 2,371,025	\$ 1,749,186	\$ 1,971,806
Contributions - employee	1,117,889	1,028,703	963,778
Net investment income ²	511,739	2,339,332	15,942,156
Benefit payments	(5,601,315)	(5,359,664)	(5,203,224)
Plan to plan resources movement	(254)	(119,756)	-
Administrative expense	(64,773)	4,871	-
Net change in plan fiduciary net position	(1,665,689)	(357,328)	13,674,516
Plan fiduciary net position - beginning	106,280,887	106,638,215	92,963,699
Plan fiduciary net position - ending (b)	\$ 104,615,198	\$ 106,280,887	\$ 106,638,215
Net pension liability - ending (a)-(b)	\$ 31,727,330	\$ 24,832,241	\$ 21,095,975
Plan fiduciary net position as a percentage of the total pension liability	76.73%	81.06%	83.48%
Covered-employee payroll	\$ 13,452,475	\$ 13,060,655	\$ 12,254,729
Net pension liability as a percentage of covered-employee payroll	235.85%	190.13%	172.15%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Net of administrative expenses for measurement period 2013-14.

Notes:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: There were no changes in discount rate.

City of South Gate
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2017

Last Ten Fiscal Years

PARS - Supplemental Retirement Plan

Measurement Period	2016-17	2015-16	2014-15 ¹
Service cost	\$ 9,276	\$ 9,006	\$ 20,273
Interest on total pension liability	95,683	94,489	91,587
Differences between expected and actual experience	-	(29,211)	-
Changes in assumptions	-	63,351	-
Benefit payments, including refunds of employee contributions	(85,995)	(86,885)	(80,278)
Net change in total pension liability	18,964	50,750	31,582
Total pension liability - beginning	\$ 1,409,901	\$1,359,151	1,327,569
Total pension liability - ending (a)	\$ 1,428,865	\$ 1,409,901	\$ 1,359,151
Plan fiduciary net position			
Contributions - employer	\$ 89,262	\$ 92,402	\$ 108,819
Net investment income	91,701	10,118	18,658
Benefit payments	(85,995)	(86,885)	(80,278)
Administrative expense	(4,851)	(4,517)	(4,503)
Net change in plan fiduciary net position	90,117	11,118	42,696
Plan fiduciary net position - beginning	906,064	894,946	852,250
Plan fiduciary net position - ending (b)	\$ 996,181	\$ 906,064	\$ 894,946
Net pension liability - ending (a)-(b)	\$ 432,684	\$ 503,837	\$ 464,205
Plan fiduciary net position as a percentage of the total pension liability	69.72%	64.26%	65.85%
Covered-employee payroll	\$ 277,966	\$ 260,000	\$ 720,372
Net pension liability as a percentage of covered-employee payroll	155.66%	193.78%	64.44%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of South Gate
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety Plan

Measurement Period	2014-15	2014-15	2013-14¹
Proportion of the Net Pension Liability	0.50255%	0.49730%	0.46523%
Proportionate Share of the Net Pension Liability	\$ 43,486,293	\$ 34,133,907	\$ 28,948,876
Covered-Employee Payroll	\$ 7,508,515	\$ 7,077,495	\$ 6,919,179
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	<u>579.16%</u>	<u>482.29%</u>	<u>418.39%</u>
Plan Fiduciary Net Position	<u>\$ 110,687,826</u>	<u>\$ 117,370,165</u>	<u>\$ 123,534,054</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>71.79%</u>	<u>77.47%</u>	<u>81.02%</u>

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of South Gate
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u> ¹
Actuarially determined contribution	\$ 3,913,282	\$ 2,406,820	\$ 1,947,828	\$ 1,971,806
Contributions in relation to the actuarially determined contributions	(3,913,282)	(2,406,820)	(1,947,828)	(1,971,806)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ^{2,3}	\$ 13,856,049	\$ 13,452,475	\$ 13,060,655	\$ 12,254,729
Contributions as a percentage of covered-employee payroll ²	28.24%	17.89%	14.91%	16.09%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

³ Payroll from 2015-16 \$13,452,475 was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2013 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	For details, see June 30, 2013 Funding Valuation Report.
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan 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
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2017

Last Ten Fiscal Years

PARS - Supplemental Retirement Plan

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u> ¹
Actuarially determined contribution	\$ 65,461	\$ 61,230	\$ 89,000	\$ 84,594
Contributions in relation to the actuarially determined contributions	(89,262)	(92,402)	(108,819)	(144,907)
Contribution deficiency (excess)	<u>\$ (23,801)</u>	<u>\$ (31,172)</u>	<u>\$ (19,819)</u>	<u>\$ (60,313)</u>
Covered-employee payroll	\$ 277,966	\$ 260,000	\$ 720,372	\$ 720,372
Contributions as a percentage of covered-employee payroll	32.11%	35.54%	15.11%	20.12%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2015 valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	Level dollar, closed
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.40% to 11.60% depending on years of service
Cost of living adjustment	2.00%
Investment rate of return	7.00%
Retirement age	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Mortality	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.

City of South Gate
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u> ¹
Actuarially determined contribution	\$ 2,345,934	\$ 3,005,619	\$ 2,086,240	\$ 1,976,256
Contributions in relation to the actuarially determined contributions	(2,345,934)	(3,005,619)	(2,086,240)	(1,976,256)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ^{2,3}	\$ 7,508,515	\$ 7,289,820	\$ 7,077,495	\$ 6,919,179
Contributions as a percentage of covered-employee payroll ²	31.24%	41.23%	29.48%	28.56%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

³ Payroll from 2015-16 \$7,289,820 was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2013 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2013 Funding Valuation Report.
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan 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
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2017

OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (a)-(b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(a)-(b)]/(c)
January 1, 2010	\$ 11,992,420	\$ -	\$ 11,992,420	0.0%	\$ 19,453,019	61.6%
January 1, 2012	13,502,101	-	13,502,101	0.0%	19,899,309	67.9%
June 30, 2016	29,800,422	-	29,800,422	0.0%	20,083,502	148.4%

SUPPLEMENTARY INFORMATION

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City of South Gate
Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 74,000	\$ 74,000
Use of money and property	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>74,551</u>	<u>74,551</u>
EXPENDITURES:				
Capital outlay	35,088,995	35,088,995	11,737,609	23,351,386
Total expenditures	<u>35,088,995</u>	<u>35,088,995</u>	<u>11,737,609</u>	<u>23,351,386</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(35,088,995)</u>	<u>(35,088,995)</u>	<u>(11,663,058)</u>	<u>23,425,937</u>
OTHER FINANCING SOURCES:				
Transfers in	52,743,624	52,843,624	11,112,113	(41,731,511)
Total other financing sources	<u>52,743,624</u>	<u>52,843,624</u>	<u>11,112,113</u>	<u>(41,731,511)</u>
CHANGE IN FUND BALANCE	<u>\$ 17,654,629</u>	<u>\$ 17,754,629</u>	<u>(550,945)</u>	<u>\$ (18,305,574)</u>
FUND BALANCE:				
Beginning of year			686,034	
End of year			<u>\$ 135,089</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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.

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

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

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

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

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

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

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

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.

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

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.

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued):

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

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:

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

DEBT SERVICE FUNDS:

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
Non-Major Governmental Funds
June 30, 2017

	Special Revenue				
	Community Development Block Grant	Housing Authority	HOME Program	Housing Successor	Law Enforcement Grants
ASSETS					
Cash and investments	\$ -	\$ 1,016,885	\$ -	\$ 628,601	\$ 449,335
Receivables:					
Accounts	-	7,078	-	40,105	-
Notes and loans	2,086,814	14,415	6,635,591	773,515	-
Accrued interest	-	1,263	-	786	1,060
Due from other governments	308,316	14,041	40,037	-	99,402
Advances to Successor Agency	875,000	-	-	-	-
Land held for resale	-	-	-	2,190,000	-
Total assets	\$ 3,270,130	\$ 1,053,682	\$ 6,675,628	\$ 3,633,007	\$ 549,797
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 162,180	\$ 4,185	\$ 10,256	\$ 923	\$ 5,147
Accrued liabilities	6,637	6,603	1,485	-	3,948
Unearned revenue	132,431	21,716	12,955	-	1,038
Deposits	-	-	-	2,200	-
Due to other funds	58,318	306,805	15,340	-	-
Total liabilities	359,566	339,309	40,036	3,123	10,133
Fund Balances:					
Restricted	2,910,564	714,373	6,635,592	3,629,884	539,664
Unassigned (deficit)	-	-	-	-	-
Total fund balances	2,910,564	714,373	6,635,592	3,629,884	539,664
Total liabilities, deferred inflows of resources and fund balances	\$ 3,270,130	\$ 1,053,682	\$ 6,675,628	\$ 3,633,007	\$ 549,797

(Continued)

City of South Gate
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue				
	Asset Seizure	Air Quality Improvement	Traffic Safety	Gas Tax	Street Sweeping
ASSETS					
Cash and investments	\$ 5,125,946	\$ 427,899	\$ -	\$ 625,274	\$ 237,770
Receivables:					
Accounts	-	-	-	337	123,497
Loans	-	-	-	-	-
Interest	9,248	701	-	4,008	387
Due from other governments	-	32,324	9,794	-	-
Advances to Successor Agency	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	\$ 5,135,194	\$ 460,924	\$ 9,794	\$ 629,619	\$ 361,654
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 63,415	\$ -	\$ 22,913	\$ 76,007	\$ 49,534
Accrued payroll and related liabilities	2,163	-	-	32,048	4,887
Unearned revenue	-	-	-	74,292	-
Deposits	-	-	-	-	-
Due to other funds	-	-	685,385	-	-
Total liabilities	65,578	-	708,298	182,347	54,421
Fund Balances:					
Restricted	5,069,616	460,924	-	447,272	307,233
Unassigned (deficit)	-	-	(698,504)	-	-
Total fund balances	5,069,616	460,924	(698,504)	447,272	307,233
Total liabilities, deferred inflows of resources and fund balances	\$ 5,135,194	\$ 460,924	\$ 9,794	\$ 629,619	\$ 361,654

(Continued)

City of South Gate
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue				
	Prop A Transit	Prop C Transit	UDAG	Public Access Corporation	Street Light & Landscaping
ASSETS					
Cash and investments	\$ 2,828,282	\$ 3,750,113	\$ 464,720	\$ 125,771	\$ 1,140,246
Receivables:					
Accounts	-	-	-	-	31,883
Loans	-	-	-	-	-
Interest	5,000	6,851	1,035	352	2,743
Due from other governments	-	9,040	-	-	11,919
Advances to Successor Agency	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	\$ 2,833,282	\$ 3,766,004	\$ 465,755	\$ 126,123	\$ 1,186,791
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 269,588	\$ 71,495	\$ 1,800	\$ 4,343	\$ 151,705
Accrued payroll and related liabilities	3,503	-	-	553	7,693
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	273,091	71,495	1,800	4,896	159,398
Fund Balances:					
Restricted	2,560,191	3,694,509	463,955	121,227	1,027,393
Unassigned (deficit)	-	-	-	-	-
Total fund balances	2,560,191	3,694,509	463,955	121,227	1,027,393
Total liabilities, deferred inflows of resources and fund balances	\$ 2,833,282	\$ 3,766,004	\$ 465,755	\$ 126,123	\$ 1,186,791

(Continued)

City of South Gate
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
	Measure R Transit	Bikeway	Ardine Assessment District	
ASSETS				
Cash and investments	\$ 3,620,690	\$ -	\$ -	\$ 20,441,532
Receivables:				
Accounts	-	-	-	202,900
Loans	-	-	-	9,510,335
Interest	6,562	-	-	39,996
Due from other governments	2,330	81,047	-	608,250
Advances to Successor Agency	-	-	-	875,000
Land held for resale	-	-	-	2,190,000
Total assets	\$ 3,629,582	\$ 81,047	\$ -	\$ 33,868,013
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,180	\$ -	\$ -	\$ 898,671
Accrued payroll and related liabilities	-	-	-	69,520
Unearned revenue	-	-	-	242,432
Deposits	-	-	-	2,200
Due to other funds	-	81,074	26,087	1,173,009
Total liabilities	5,180	81,074	26,087	2,385,832
Fund Balances:				
Restricted	3,624,402	-	-	32,206,799
Unassigned (deficit)	-	(27)	(26,087)	(724,618)
Total fund balances	3,624,402	(27)	(26,087)	31,482,181
Total liabilities, deferred inflows of resources and fund balances	\$ 3,629,582	\$ 81,047	\$ -	\$ 33,868,013

(Concluded)

City of South Gate
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue				
	Community Development Block Grant	Housing Authority	HOME Program	Housing Successor	Law Enforcement Grants
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 127,088	\$ -
Intergovernmental	2,197,872	4,408,039	498,250	-	363,959
Charges for Services	18,517	-	-	-	-
Use of money and property	83,854	2,363	-	60,029	3,770
Fines and forfeitures	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,300,243</u>	<u>4,410,402</u>	<u>498,250</u>	<u>187,117</u>	<u>367,729</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	424,484
Community Development	798,987	4,431,359	598,250	22,352	-
Public Works	110,343	-	-	-	-
Capital outlay	-	9,310	-	-	-
Debt service:					
Principal	560,000	-	-	-	-
Interest and fiscal charges	83,854	-	-	-	-
Total expenditures	<u>1,553,184</u>	<u>4,440,669</u>	<u>598,250</u>	<u>22,352</u>	<u>424,484</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>747,059</u>	<u>(30,267)</u>	<u>(100,000)</u>	<u>164,765</u>	<u>(56,755)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	100,000	-	-
Transfers out	(1,307,058)	-	-	-	-
Total other financing sources (uses)	<u>(1,307,058)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(559,999)</u>	<u>(30,267)</u>	<u>-</u>	<u>164,765</u>	<u>(56,755)</u>
FUND BALANCE:					
Beginning of year, as restated (Note 16)	<u>3,470,563</u>	<u>744,640</u>	<u>6,635,592</u>	<u>3,465,119</u>	<u>596,419</u>
End of year	<u>\$ 2,910,564</u>	<u>\$ 714,373</u>	<u>\$ 6,635,592</u>	<u>\$ 3,629,884</u>	<u>\$ 539,664</u>

(Continued)

City of South Gate
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue				
	Asset Seizure	Air Quality Improvement	Traffic Safety	Gas Tax	Street Sweeping
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,148,695	127,161	-	1,873,306	-
Charges for Services	-	-	-	-	694,771
Use of money and property	36,730	2,753	-	14,176	1,997
Fines and forfeitures	-	-	150,264	-	-
Miscellaneous	-	19,100	-	-	-
Total revenues	2,185,425	149,014	150,264	1,887,482	696,768
EXPENDITURES:					
Current:					
General Government	-	-	-	-	14,137
Public Safety	609,914	-	292,013	-	-
Community Development	-	3,514	-	-	-
Public Works	-	-	-	2,706,116	571,559
Capital outlay	459,288	29,719	-	276,078	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,069,202	33,233	292,013	2,982,194	585,696
REVENUES OVER (UNDER) EXPENDITURES	1,116,223	115,781	(141,749)	(1,094,712)	111,072
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(457,898)	-
Total other financing sources (uses)	-	-	-	(457,898)	-
CHANGES IN FUND BALANCES	1,116,223	115,781	(141,749)	(1,552,610)	111,072
FUND BALANCES:					
Beginning of year, as restated (Note 16)	3,953,393	345,143	(556,755)	1,999,882	196,161
End of year	<u>\$ 5,069,616</u>	<u>\$ 460,924</u>	<u>\$ (698,504)</u>	<u>\$ 447,272</u>	<u>\$ 307,233</u>

(Continued)

City of South Gate
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue				
	Prop A Transit	Prop C Transit	UDAG	Public Access Corporation	Street Light & Landscaping
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,996,047
Intergovernmental	1,907,646	1,466,593	125,481	-	-
Charges for Services	202,005	-	-	-	-
Use of money and property	101,777	27,142	6,497	1,185	9,750
Fines and forfeitures	-	-	-	-	-
Miscellaneous	10,255	-	-	-	235,975
Total revenues	<u>2,221,683</u>	<u>1,493,735</u>	<u>131,978</u>	<u>1,185</u>	<u>2,241,772</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	68,771	-
Public Safety	-	-	-	-	-
Community Development	2,221,757	-	359,678	-	-
Public Works	-	109,083	-	-	2,398,045
Capital outlay	-	-	-	5,279	135
Debt service:					
Principal	-	-	-	-	94,861
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>2,221,757</u>	<u>109,083</u>	<u>359,678</u>	<u>74,050</u>	<u>2,493,041</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(74)</u>	<u>1,384,652</u>	<u>(227,700)</u>	<u>(72,865)</u>	<u>(251,269)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(62,000)	(621,841)	-	-	-
Total other financing sources (uses)	<u>(62,000)</u>	<u>(621,841)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCES	<u>(62,074)</u>	<u>762,811</u>	<u>(227,700)</u>	<u>(72,865)</u>	<u>(251,269)</u>
FUND BALANCES:					
Beginning of year, as restated (Note 16)	<u>2,622,265</u>	<u>2,931,698</u>	<u>691,655</u>	<u>194,092</u>	<u>1,278,662</u>
End of year	<u>\$ 2,560,191</u>	<u>\$ 3,694,509</u>	<u>\$ 463,955</u>	<u>\$ 121,227</u>	<u>\$ 1,027,393</u>

(Continued)

City of South Gate
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
	Measure R Transit	Bikeway	Ardine Assessment District	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 2,123,135
Intergovernmental	1,098,574	79,045	-	16,294,621
Charges for Services	-	-	-	915,293
Use of money and property	25,632	-	-	377,655
Fines and forfeitures	-	-	-	150,264
Miscellaneous	-	-	-	265,330
Total revenues	<u>1,124,206</u>	<u>79,045</u>	<u>-</u>	<u>20,126,298</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	82,908
Public Safety	-	-	-	1,326,411
Community Development	-	-	-	8,435,897
Public Works	12,954	-	-	5,908,100
Capital outlay	-	-	-	779,809
Debt service:				
Principal	-	-	-	654,861
Interest and fiscal charges	-	-	-	83,854
Total expenditures	<u>12,954</u>	<u>-</u>	<u>-</u>	<u>17,271,840</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,111,252</u>	<u>79,045</u>	<u>-</u>	<u>2,854,458</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	100,000
Transfers out	(364,131)	(79,072)	-	(2,892,000)
Total other financing sources (uses)	<u>(364,131)</u>	<u>(79,072)</u>	<u>-</u>	<u>(2,792,000)</u>
CHANGES IN FUND BALANCES	747,121	(27)	-	62,458
FUND BALANCES:				
Beginning of year, as restated (Note 16)	2,877,281	-	(26,087)	31,419,723
End of year	<u>\$ 3,624,402</u>	<u>\$ (27)</u>	<u>\$ (26,087)</u>	<u>\$ 31,482,181</u>

(Concluded)

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,730,113	\$ 1,730,113	\$ 2,197,872	\$ 467,759
Charges for services	-	-	18,517	18,517
Use of money and property	85,127	85,127	83,854	(1,273)
Total revenues	<u>1,815,240</u>	<u>1,815,240</u>	<u>2,300,243</u>	<u>485,003</u>
EXPENDITURES:				
Current:				
Community development	1,723,542	1,723,542	798,987	924,555
Public works	110,343	110,343	110,343	-
Debt service:				
Principal retirement	560,000	560,000	560,000	-
Interest and fiscal charges	83,166	83,166	83,854	(688)
Total expenditures	<u>2,477,051</u>	<u>2,477,051</u>	<u>1,553,184</u>	<u>923,867</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(661,811)</u>	<u>(661,811)</u>	<u>747,059</u>	<u>1,408,870</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,965,685)	(1,965,685)	(1,307,058)	658,627
Total other financing sources (uses)	<u>(1,965,685)</u>	<u>(1,965,685)</u>	<u>(1,307,058)</u>	<u>658,627</u>
CHANGE IN FUND BALANCE	<u>\$ (2,627,496)</u>	<u>\$ (2,627,496)</u>	<u>(559,999)</u>	<u>\$ 2,067,497</u>
FUND BALANCE:				
Beginning of year			3,470,563	
End of year			<u>\$ 2,910,564</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Housing Authority Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 4,460,100	\$ 4,460,100	\$ 4,408,039	\$ (52,061)
Use of money and property	1,100	1,100	2,363	1,263
Total revenues	<u>4,461,200</u>	<u>4,461,200</u>	<u>4,410,402</u>	<u>(50,798)</u>
EXPENDITURES:				
Current:				
Community development	4,914,938	4,914,938	4,431,359	483,579
Total expenditures	<u>4,914,938</u>	<u>4,914,938</u>	<u>4,440,669</u>	<u>474,269</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(453,738)</u>	<u>(453,738)</u>	<u>(30,267)</u>	<u>423,471</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ (453,738)</u>	<u>\$ (453,738)</u>	<u>(30,267)</u>	<u>\$ 423,471</u>
FUND BALANCE:				
Beginning of year			<u>744,640</u>	
End of year			<u>\$ 714,373</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Program Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 469,662	\$ 469,662	\$ 498,250	\$ 28,588
Total revenues	<u>469,662</u>	<u>469,662</u>	<u>498,250</u>	<u>28,588</u>
EXPENDITURES:				
Current:				
Community development	569,662	569,662	598,250	(28,588)
Total expenditures	<u>569,662</u>	<u>569,662</u>	<u>598,250</u>	<u>(28,588)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year, as restated (Note 16)			<u>6,635,592</u>	
End of year			<u>\$ 6,635,592</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Housing Successor Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 190,000	\$ 190,000	\$ 127,088	\$ (62,912)
Use of money and property	14,424	14,424	60,029	45,605
Total revenues	<u>204,424</u>	<u>204,424</u>	<u>187,117</u>	<u>(17,307)</u>
EXPENDITURES:				
Current:				
Community development	-	-	22,352	(22,352)
Total expenditures	<u>-</u>	<u>-</u>	<u>22,352</u>	<u>(22,352)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>204,424</u>	<u>204,424</u>	<u>164,765</u>	<u>(39,659)</u>
CHANGE IN FUND BALANCE	<u>\$ 204,424</u>	<u>\$ 204,424</u>	<u>164,765</u>	<u>\$ (39,659)</u>
FUND BALANCE:				
Beginning of year			<u>3,465,119</u>	
End of year			<u>\$ 3,629,884</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Law Enforcement Grants Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 329,619	\$ 329,619	\$ 363,959	\$ 34,340
Use of money and property	1,000	1,000	3,770	2,770
Total revenues	<u>330,619</u>	<u>330,619</u>	<u>367,729</u>	<u>37,110</u>
EXPENDITURES:				
Current:				
Public safety	520,685	520,685	424,484	96,201
Total expenditures	<u>520,685</u>	<u>520,685</u>	<u>424,484</u>	<u>96,201</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(190,066)</u>	<u>(190,066)</u>	<u>(56,755)</u>	<u>133,311</u>
CHANGE IN FUND BALANCE	<u>\$ (190,066)</u>	<u>\$ (190,066)</u>	<u>(56,755)</u>	<u>\$ 133,311</u>
FUND BALANCE:				
Beginning of year			<u>596,419</u>	
End of year			<u>\$ 539,664</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Asset Seizure Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 2,148,695	\$ 1,148,695
Use of money and property	5,000	5,000	36,730	31,730
Miscellaneous	-	-	-	-
Total revenues	<u>1,005,000</u>	<u>1,005,000</u>	<u>2,185,425</u>	<u>1,180,425</u>
EXPENDITURES:				
Current:				
Public safety	757,642	757,642	609,914	147,728
Capital outlay	384,428	384,428	459,288	(74,860)
Total expenditures	<u>1,142,070</u>	<u>1,142,070</u>	<u>1,069,202</u>	<u>72,868</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(137,070)</u>	<u>(137,070)</u>	<u>1,116,223</u>	<u>1,253,293</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(250,000)	(250,000)	-	250,000
Total other financing sources (uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
CHANGE IN FUND BALANCE	<u>\$ (387,070)</u>	<u>\$ (387,070)</u>	<u>1,116,223</u>	<u>\$ 1,503,293</u>
FUND BALANCE:				
Beginning of year			<u>3,953,393</u>	
End of year			<u>\$ 5,069,616</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 115,000	\$ 115,000	\$ 127,161	\$ 12,161
Use of money and property	485	485	2,753	2,268
Total revenues	<u>115,485</u>	<u>115,485</u>	<u>149,014</u>	<u>33,529</u>
EXPENDITURES:				
Current:				
Community development	9,000	9,000	3,514	5,486
Capital outlay	110,158	110,158	29,719	80,439
Total expenditures	<u>119,158</u>	<u>119,158</u>	<u>33,233</u>	<u>85,925</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,673)</u>	<u>(3,673)</u>	<u>115,781</u>	<u>119,454</u>
CHANGE IN FUND BALANCE	<u>\$ (3,673)</u>	<u>\$ (3,673)</u>	<u>115,781</u>	<u>\$ 119,454</u>
FUND BALANCE:				
Beginning of year			<u>345,143</u>	
End of year			<u>\$ 460,924</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 185,000	\$ 185,000	\$ 150,264	\$ (34,736)
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>150,264</u>	<u>(34,736)</u>
EXPENDITURES:				
Current:				
Public safety	285,000	285,000	292,013	(7,013)
Total expenditures	<u>285,000</u>	<u>285,000</u>	<u>292,013</u>	<u>(7,013)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(100,000)</u>	<u>(100,000)</u>	<u>(141,749)</u>	<u>(41,749)</u>
CHANGE IN FUND BALANCE	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>(141,749)</u>	<u>\$ (41,749)</u>
FUND BALANCE:				
Beginning of year			<u>(556,755)</u>	
End of year			<u>\$ (698,504)</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,110,000	\$ 2,110,000	\$ 1,873,306	\$ (236,694)
Use of money and property	10,000	10,000	14,176	4,176
Total revenues	<u>2,120,000</u>	<u>2,120,000</u>	<u>1,887,482</u>	<u>(232,518)</u>
EXPENDITURES:				
Current:				
Public works	3,089,148	3,089,148	2,706,116	383,032
Capital outlay	-	-	276,078	(276,078)
Total expenditures	<u>3,089,148</u>	<u>3,089,148</u>	<u>2,982,194</u>	<u>106,954</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(969,148)</u>	<u>(969,148)</u>	<u>(1,094,712)</u>	<u>(125,564)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(408,388)	(408,388)	(457,898)	(49,510)
Total other financing sources (uses)	<u>(408,388)</u>	<u>(408,388)</u>	<u>(457,898)</u>	<u>(49,510)</u>
CHANGE IN FUND BALANCE	<u>\$ (1,377,536)</u>	<u>\$ (1,377,536)</u>	<u>(1,552,610)</u>	<u>\$ (175,074)</u>
FUND BALANCE:				
Beginning of year			1,999,882	
End of year			<u>\$ 447,272</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Sweeping Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 693,787	\$ 693,787	\$ 694,771	\$ 984
Use of money and property	-	-	1,997	1,997
Total revenues	<u>693,787</u>	<u>693,787</u>	<u>696,768</u>	<u>2,981</u>
EXPENDITURES:				
Current:				
Public works	627,265	627,265	571,559	55,706
Total expenditures	<u>627,265</u>	<u>627,265</u>	<u>585,696</u>	<u>41,569</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>66,522</u>	<u>66,522</u>	<u>111,072</u>	<u>44,550</u>
CHANGE IN FUND BALANCE	<u>\$ 66,522</u>	<u>\$ 66,522</u>	<u>111,072</u>	<u>\$ 44,550</u>
FUND BALANCE:				
Beginning of year			<u>196,161</u>	
End of year			<u>\$ 307,233</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Proposition A Transit Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,800,000	\$ 1,800,000	\$ 1,907,646	\$ 107,646
Charges for services	210,000	210,000	202,005	(7,995)
Use of money and property	4,600	4,600	101,777	97,177
Miscellaneous	8,200	8,200	10,255	2,055
Total revenues	<u>2,022,800</u>	<u>2,022,800</u>	<u>2,221,683</u>	<u>198,883</u>
EXPENDITURES:				
Current:				
Community development	2,459,632	2,449,632	2,221,757	227,875
Total expenditures	<u>2,459,632</u>	<u>2,449,632</u>	<u>2,221,757</u>	<u>227,875</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(436,832)</u>	<u>(426,832)</u>	<u>(74)</u>	<u>426,758</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(10,000)	(10,000)	(62,000)	(52,000)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(62,000)</u>	<u>(52,000)</u>
CHANGE IN FUND BALANCE	<u>\$ (446,832)</u>	<u>\$ (436,832)</u>	<u>(62,074)</u>	<u>\$ 374,758</u>
FUND BALANCE:				
Beginning of year			2,622,265	
End of year			<u>\$ 2,560,191</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Proposition C Transit Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,415,000	\$ 1,415,000	\$ 1,466,593	\$ 51,593
Use of money and property	6,600	6,600	27,142	20,542
Total revenues	<u>1,421,600</u>	<u>1,421,600</u>	<u>1,493,735</u>	<u>72,135</u>
EXPENDITURES:				
Current:				
Public works	403,108	403,108	109,083	294,025
Total expenditures	<u>403,108</u>	<u>403,108</u>	<u>109,083</u>	<u>294,025</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,018,492</u>	<u>1,018,492</u>	<u>1,384,652</u>	<u>366,160</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(760,369)	(760,369)	(621,841)	138,528
Total other financing sources (uses)	<u>(760,369)</u>	<u>(760,369)</u>	<u>(621,841)</u>	<u>138,528</u>
CHANGE IN FUND BALANCE	<u>\$ 258,123</u>	<u>\$ 258,123</u>	<u>762,811</u>	<u>\$ 504,688</u>
FUND BALANCE:				
Beginning of year			2,931,698	
End of year			<u>\$ 3,694,509</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
UDAG Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 140,332	\$ 140,332	\$ 125,481	\$ (14,851)
Use of money and property	-	-	6,497	6,497
Total revenues	<u>140,332</u>	<u>140,332</u>	<u>131,978</u>	<u>(8,354)</u>
EXPENDITURES:				
Current:				
Community development	335,059	335,059	359,678	(24,619)
Total expenditures	<u>335,059</u>	<u>335,059</u>	<u>359,678</u>	<u>(24,619)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(194,727)</u>	<u>(194,727)</u>	<u>(227,700)</u>	<u>(32,973)</u>
CHANGE IN FUND BALANCE	<u>\$ (194,727)</u>	<u>\$ (194,727)</u>	<u>(227,700)</u>	<u>\$ (32,973)</u>
FUND BALANCE:				
Beginning of year			<u>691,655</u>	
End of year			<u>\$ 463,955</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Access Corporation Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,185	\$ 1,185
Total revenues	<u>-</u>	<u>-</u>	<u>1,185</u>	<u>1,185</u>
EXPENDITURES:				
Current:				
General government	70,463	105,263	68,771	36,492
Capital outlay	<u>7,600</u>	<u>7,600</u>	<u>5,279</u>	<u>2,321</u>
Total expenditures	<u>78,063</u>	<u>112,863</u>	<u>74,050</u>	<u>38,813</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(78,063)</u>	<u>(112,863)</u>	<u>(72,865)</u>	<u>39,998</u>
CHANGE IN FUND BALANCE	<u>\$ (78,063)</u>	<u>\$ (112,863)</u>	<u>(72,865)</u>	<u>\$ 39,998</u>
FUND BALANCE:				
Beginning of year			<u>194,092</u>	
End of year			<u>\$ 121,227</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Light and Landscaping Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 2,014,632	\$ 2,014,632	\$ 1,996,047	\$ (18,585)
Use of money and property	525	525	9,750	9,225
Miscellaneous	-	-	235,975	235,975
Total revenues	<u>2,015,157</u>	<u>2,015,157</u>	<u>2,241,772</u>	<u>226,615</u>
EXPENDITURES:				
Current:				
Public works	2,885,057	2,885,057	2,398,045	487,012
Capital outlay	4,000	4,000	135	3,865
Debt service:				
Principal retirement	94,861	94,861	94,861	-
Total expenditures	<u>2,983,918</u>	<u>2,983,918</u>	<u>2,493,041</u>	<u>490,877</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(968,761)</u>	<u>(968,761)</u>	<u>(251,269)</u>	<u>717,492</u>
CHANGE IN FUND BALANCE	<u>\$ (968,761)</u>	<u>\$ (968,761)</u>	<u>(251,269)</u>	<u>\$ 717,492</u>
FUND BALANCE:				
Beginning of year			1,278,662	
End of year			<u>\$ 1,027,393</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure R Transit Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,057,000	\$ 1,057,000	\$ 1,098,574	\$ 41,574
Use of money and property	4,800	4,800	25,632	20,832
Total revenues	<u>1,061,800</u>	<u>1,061,800</u>	<u>1,124,206</u>	<u>62,406</u>
EXPENDITURES:				
Current:				
Public works	8,665	8,665	12,954	(4,289)
Total expenditures	<u>8,665</u>	<u>8,665</u>	<u>12,954</u>	<u>(4,289)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,053,135</u>	<u>1,053,135</u>	<u>1,111,252</u>	<u>58,117</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(615,182)	(615,182)	(364,131)	251,051
Total other financing sources (uses)	<u>(615,182)</u>	<u>(615,182)</u>	<u>(364,131)</u>	<u>251,051</u>
CHANGE IN FUND BALANCE	<u>\$ 437,953</u>	<u>\$ 437,953</u>	747,121	<u>\$ 309,168</u>
FUND BALANCE:				
Beginning of year			2,877,281	
End of year			<u>\$ 3,624,402</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Bike Way Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 121,204	\$ 121,204	\$ 79,045	\$ (42,159)
Total revenues	<u>121,204</u>	<u>121,204</u>	<u>79,045</u>	<u>(42,159)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(81,074)	(81,074)	(79,072)	2,002
Total other financing sources (uses)	<u>(81,074)</u>	<u>(81,074)</u>	<u>(79,072)</u>	<u>2,002</u>
CHANGE IN FUND BALANCE	<u>\$ 40,130</u>	<u>\$ 40,130</u>	(27)	<u>\$ (40,157)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ (27)</u>	

City of South Gate
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Ardine Debt Service Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>(26,087)</u>	
End of year			<u>\$ (26,087)</u>	

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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
All Internal Service Funds
June 30, 2017

	Insurance	Information Systems	Fleet Management	Total
ASSETS				
Current assets:				
Cash and investments	\$ 8,391,982	\$ 900,332	\$ 305,691	\$ 9,598,005
Accrued interest	14,280	1,438	231	15,949
Prepaid items	18,500	1,000	-	19,500
Due from other funds	36,652	8,237	-	44,889
Total current assets	<u>8,461,414</u>	<u>911,007</u>	<u>305,922</u>	<u>9,678,343</u>
Noncurrent assets:				
Capital assets:				
Depreciable assets, net of accumulated depreciation	-	384,503	49,679	434,182
Total capital assets, net	<u>-</u>	<u>384,503</u>	<u>49,679</u>	<u>434,182</u>
Total noncurrent assets	<u>-</u>	<u>384,503</u>	<u>49,679</u>	<u>434,182</u>
Total assets	<u>8,461,414</u>	<u>1,295,510</u>	<u>355,601</u>	<u>10,112,525</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension plan	<u>119,940</u>	<u>146,593</u>	<u>346,492</u>	<u>613,025</u>
Total deferred outflows of resources	<u>119,940</u>	<u>146,593</u>	<u>346,492</u>	<u>613,025</u>
LIABILITIES				
Current liabilities:				
Accounts payable	12,039	89,243	101,158	202,440
Accrued liabilities	1,459	3,380	7,836	12,675
Claims and judgments, due within one year	1,475,000	-	-	1,475,000
Total current liabilities	<u>1,488,498</u>	<u>92,623</u>	<u>108,994</u>	<u>1,690,115</u>
Noncurrent liabilities:				
Claims and judgments, due in more than one year	7,889,462	-	-	7,889,462
Net pension liability	338,549	361,129	870,414	1,570,092
Total noncurrent liabilities	<u>8,228,011</u>	<u>361,129</u>	<u>870,414</u>	<u>9,459,554</u>
Total liabilities	<u>9,716,509</u>	<u>453,752</u>	<u>979,408</u>	<u>11,149,669</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension plan	<u>49,230</u>	<u>54,692</u>	<u>131,024</u>	<u>234,946</u>
Total deferred inflows of resources	<u>49,230</u>	<u>54,692</u>	<u>131,024</u>	<u>234,946</u>
NET POSITION				
Investment in capital assets	-	384,503	49,679	434,182
Unrestricted (deficit)	<u>(1,184,385)</u>	<u>549,156</u>	<u>(458,018)</u>	<u>(1,093,247)</u>
Total net position	<u>\$ (1,184,385)</u>	<u>\$ 933,659</u>	<u>\$ (408,339)</u>	<u>\$ (659,065)</u>

City of South Gate
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2017

	Insurance	Information Systems	Fleet Management	Total
OPERATING REVENUES:				
Interdepartmental charges	\$ 3,644,534	\$ 736,781	\$ 1,562,570	\$ 5,943,885
Miscellaneous	70,823	-	-	70,823
Total operating revenues	3,715,357	736,781	1,562,570	6,014,708
OPERATING EXPENSES:				
Personnel services	100,196	216,733	559,617	876,546
Utilities	-	50,510	3,459	53,969
Contractual services	167,723	46,164	149,390	363,277
Administrative services	62,450	102,705	223,036	388,191
Repair and maintenance	10,648	143,986	12,702	167,336
Supplies	16,484	54,492	594,768	665,744
Insurance	1,987,475	-	-	1,987,475
Claims expense	2,258,207	-	-	2,258,207
Depreciation expense	-	64,359	9,957	74,316
Total operating expenses	4,603,183	678,949	1,552,929	6,835,061
Operating income (loss)	(887,826)	57,832	9,641	(820,353)
NONOPERATING REVENUES:				
Interest income	46,204	4,726	-	50,930
Total nonoperating revenues	46,204	4,726	-	50,930
Income (loss) before transfers	(841,622)	62,558	9,641	(769,423)
TRANSFERS:				
Transfers out	(161,212)	-	-	(161,212)
Total transfers	(161,212)	-	-	(161,212)
Changes in net position	(1,002,834)	62,558	9,641	(930,635)
NET POSITION:				
Beginning of year	(181,551)	871,101	(417,980)	271,570
End of year	\$ (1,184,385)	\$ 933,659	\$ (408,339)	\$ (659,065)

City of South Gate
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2017

	Insurance	Information Systems	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from/interfund service provided	\$ 3,751,143	\$ 753,793	\$ 1,565,522	\$ 6,070,458
Cash paid to suppliers for goods and services	(3,490,622)	(316,703)	(958,439)	(4,765,764)
Cash paid to employees for services	(111,253)	(234,420)	(600,524)	(946,197)
Net cash provided by operating activities	<u>149,268</u>	<u>202,670</u>	<u>6,559</u>	<u>358,497</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(128,110)	-	(128,110)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(128,110)</u>	<u>-</u>	<u>(128,110)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers (out)	(161,212)	-	-	(161,212)
Net cash (used in) noncapital financing activities	<u>(161,212)</u>	<u>-</u>	<u>-</u>	<u>(161,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	38,755	3,965	-	42,720
Net cash provided by investing activities	<u>38,755</u>	<u>3,965</u>	<u>-</u>	<u>42,720</u>
Net change in cash and cash equivalents	26,811	78,525	6,559	111,895
CASH AND CASH EQUIVALENTS:				
Beginning of year	8,365,171	821,807	299,132	9,486,110
End of year	<u>\$ 8,391,982</u>	<u>\$ 900,332</u>	<u>\$ 305,691</u>	<u>\$ 9,598,005</u>

(Continued)

City of South Gate
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2017

	Information Insurance	Information Systems	Fleet Management	Total
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (887,826)	\$ 57,832	\$ 9,641	\$ (820,353)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	64,359	9,957	74,316
(Increase) decrease in prepaid items	(12,682)	(1,000)	-	(13,682)
(Increase) decrease in due from other funds	35,786	17,013	2,951	55,750
(Increase) decrease in deferred outflows of resources related to pension plan	(93,534)	(119,348)	(280,486)	(493,368)
Increase (decrease) in accounts payable	(8,687)	82,154	24,916	98,383
Increase (decrease) in accrued liabilities	(45)	800	1,181	1,936
Increase (decrease) in claims and judgments	1,033,734	-	-	1,033,734
Increase (decrease) in net pension liability	62,056	75,845	179,273	317,174
Increase (decrease) in deferred inflows of resources related to pension plan	20,466	25,015	59,126	104,607
Total adjustments	<u>1,037,094</u>	<u>144,838</u>	<u>(3,082)</u>	<u>1,178,850</u>
Net cash provided by operating activities	<u><u>\$ 149,268</u></u>	<u><u>\$ 202,670</u></u>	<u><u>\$ 6,559</u></u>	<u><u>\$ 358,497</u></u>

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AGENCY FUNDS

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

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

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City of South Gate
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 554,198	\$ 186,733	\$ (387,707)	\$ 353,224
Accounts receivable	130	-	(130)	-
Total assets	<u>\$ 554,328</u>	<u>\$ 186,733</u>	<u>\$ (387,837)</u>	<u>\$ 353,224</u>
Liabilities:				
Accounts payable	\$ 7,806	\$ 268,346	\$ (275,483)	\$ 669
Deposits payable	546,522	186,468	(380,435)	352,555
Total liabilities	<u>\$ 554,328</u>	<u>\$ 454,814</u>	<u>\$ (655,918)</u>	<u>\$ 353,224</u>

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STATISTICAL SECTION (UNAUDITED)

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City of South Gate
Statistical Section Overview
(Unaudited)

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 government's overall financial health.

Contents	Page
Financial Trends	158-171
These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.	
Revenue Capacity	173-179
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	181-186
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	187
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	188-193
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

City of South Gate
Net Position by Component
Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities					
Net Investment in capital assets	\$ 227,365	\$ 224,978	\$ 220,549	\$ 225,744	\$ 223,175
Restricted	35,697	13,046	27,732	27,636	16,603
Unrestricted	(42,119)	(21,792)	(28,701)	(19,889)	9,355
Total governmental activities net position	<u>220,943</u>	<u>216,232</u>	<u>219,580</u>	<u>233,491</u>	<u>249,133</u>
Business-type activities					
Net Investment in capital assets	38,748	36,267	37,212	38,113	39,090
Restricted	-	-	-	4,497	4,194
Unrestricted	(41,024)	(36,336)	(36,012)	(40,350)	(39,723)
Total business-type activities net position	<u>(2,276)</u>	<u>(69)</u>	<u>1,200</u>	<u>2,260</u>	<u>3,561</u>
Primary government					
Net Investment in capital assets	266,113	261,245	257,761	263,857	262,265
Restricted	35,697	13,046	27,732	32,133	20,797
Unrestricted	(83,143)	(58,128)	(64,713)	(60,239)	(30,368)
Total primary government net position	<u>\$ 218,667</u>	<u>\$ 216,163</u>	<u>\$ 220,780</u>	<u>\$ 235,751</u>	<u>\$ 252,694</u>

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

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities					
Net Investment in capital assets	\$ 223,462	\$ 227,259	\$ 225,811	\$ 228,683	\$ 214,310
Restricted	19,734	21,358	22,135	29,778	32,489
Unrestricted	10,889	13,875	(39,779)	(40,323)	(24,561)
Total governmental activities net position	<u>254,085</u>	<u>262,492</u>	<u>208,167</u>	<u>218,138</u>	<u>222,238</u>
Business-type activities					
Net Investment in capital assets	44,813	44,824	43,963	352	17,879
Restricted	13,944	14,492	6,517	2,002	2,169
Unrestricted	(53,012)	(48,245)	(36,142)	20,588	11,024
Total business-type activities net position	<u>5,745</u>	<u>11,071</u>	<u>14,338</u>	<u>22,942</u>	<u>31,072</u>
Primary government					
Net Investment in capital assets	268,275	272,083	269,774	229,035	232,189
Restricted	33,678	35,850	28,652	31,780	34,658
Unrestricted	(42,123)	(34,370)	(75,921)	(19,735)	(13,537)
Total primary government net position	<u>\$ 259,830</u>	<u>\$ 273,563</u>	<u>\$ 222,505</u>	<u>\$ 241,080</u>	<u>\$ 253,310</u>

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

City of South Gate
Changes in Net Position
Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses					
Governmental activities:					
General government	\$ 8,961	\$ 6,294	\$ 5,425	\$ 7,314	\$ 5,917
Public works	22,402	20,976	14,034	13,291	15,255
Parks and recreation	1,760	5,608	4,739	4,552	4,963
Police	24,516	23,627	21,097	20,849	20,663
Community development	13,219	13,469	17,505	13,569	13,806
Interest expense	7,564	7,338	6,057	5,783	3,556
Total governmental activities expenses	<u>78,422</u>	<u>77,312</u>	<u>68,857</u>	<u>65,358</u>	<u>64,160</u>
Business-type activities:					
Sewer	1,591	1,251	1,405	1,483	1,508
Water	10,071	10,454	10,857	11,038	11,526
Refuse	3,268	3,417	3,267	3,276	3,860
Total business-type activities expenses	<u>14,930</u>	<u>15,122</u>	<u>15,529</u>	<u>15,797</u>	<u>16,894</u>
Total primary government expenses	<u>\$ 93,352</u>	<u>\$ 92,434</u>	<u>\$ 84,386</u>	<u>\$ 81,155</u>	<u>\$ 81,054</u>

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

City of South Gate
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses					
Governmental activities:					
General government	\$ 5,591	\$ 4,648	\$ 6,830	\$ 6,312	\$ 6,847
Public works	15,504	15,988	15,753	16,794	18,513
Parks and recreation	5,174	5,454	6,155	6,951	7,544
Police	20,065	20,251	21,435	22,507	27,043
Community development	10,690	11,651	10,542	10,939	10,987
Interest expense	2,260	2,148	1,712	1,122	1,310
Total governmental activities expenses	<u>59,284</u>	<u>60,140</u>	<u>62,427</u>	<u>64,625</u>	<u>72,244</u>
Business-type activities:					
Sewer	1,496	1,591	1,543	1,672	1,767
Water	13,206	12,411	12,394	12,956	12,516
Refuse	3,499	3,498	3,433	3,493	3,715
Total business-type activities expenses	<u>18,201</u>	<u>17,500</u>	<u>17,370</u>	<u>18,121</u>	<u>17,998</u>
Total primary government expenses	<u>\$ 77,485</u>	<u>\$ 77,640</u>	<u>\$ 79,797</u>	<u>\$ 82,746</u>	<u>\$ 90,242</u>

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

City of South Gate
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Program Revenues					
Governmental activities:					
Charges for service:					
General government	\$ 6,926	\$ 2,529	\$ 3,157	\$ 3,159	\$ 3,157
Public works	3,622	5,698	945	1,091	1,185
Parks and recreation	645	882	495	526	558
Police	2,009	962	2,919	3,045	3,231
Community development	1,832	1,440	3,102	4,863	3,777
Operating grants and contributions	24,736	21,649	14,876	19,363	13,640
Capital grants and contributions	1,959	1,348	4,598	6,144	5,201
Total governmental activities program revenues	<u>41,729</u>	<u>34,508</u>	<u>30,092</u>	<u>38,191</u>	<u>30,749</u>
Business-type activities:					
Charges for service:					
Sewer	1,354	1,545	1,362	1,451	1,497
Water	12,692	12,146	11,723	11,818	12,787
Refuse	3,114	3,192	3,179	3,390	3,359
Operating grants and contributions	65	-	36	43	548
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>17,225</u>	<u>16,883</u>	<u>16,300</u>	<u>16,702</u>	<u>18,191</u>
Total primary government program revenues	<u>\$ 58,954</u>	<u>\$ 51,391</u>	<u>\$ 46,392</u>	<u>\$ 54,893</u>	<u>\$ 48,940</u>
Net (expense)/revenue					
Governmental activities	\$ (36,693)	\$ (42,804)	\$ (38,765)	\$ (27,167)	\$ (33,411)
Business-type activities	2,295	1,761	771	905	1,297
Total primary government net expense	<u>\$ (34,398)</u>	<u>\$ (41,043)</u>	<u>\$ (37,994)</u>	<u>\$ (26,262)</u>	<u>\$ (32,114)</u>

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

City of South Gate
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Program Revenues					
Governmental activities:					
Charges for service:					
General government	\$ 3,032	\$ 3,102	\$ 3,105	\$ 3,037	\$ 2,949
Public works	1,163	1,101	1,231	1,146	1,456
Parks and recreation	685	894	986	966	1,106
Police	2,656	3,445	3,262	3,844	4,189
Community development	3,229	4,171	2,888	2,684	3,619
Operating grants and contributions	14,777	16,363	13,527	14,756	14,090
Capital grants and contributions	3,993	4,696	3,811	7,148	8,221
Total governmental activities program revenues	<u>29,535</u>	<u>33,772</u>	<u>28,810</u>	<u>33,581</u>	<u>35,630</u>
Business-type activities:					
Charges for service:					
Sewer	1,485	1,513	1,388	1,346	1,340
Water	15,061	17,255	18,279	20,524	19,720
Refuse	3,550	3,673	3,714	3,716	3,738
Operating grants and contributions	54	64	57	71	35
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>20,150</u>	<u>22,505</u>	<u>23,438</u>	<u>25,657</u>	<u>24,833</u>
Total primary government program revenues	<u>\$ 49,685</u>	<u>\$ 56,277</u>	<u>\$ 52,248</u>	<u>\$ 59,238</u>	<u>\$ 60,463</u>
Net (expense)/revenue					
Governmental activities	\$ (29,749)	\$ (26,368)	\$ (33,617)	\$ (31,044)	\$ (36,614)
Business-type activities	1,949	5,005	6,068	7,536	6,835
Total primary government net expense	<u>\$ (27,800)</u>	<u>\$ (21,363)</u>	<u>\$ (27,549)</u>	<u>\$ (23,508)</u>	<u>\$ (29,779)</u>

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

City of South Gate
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Revenues and Other Changes in Position					
Governmental activities:					
Taxes					
Property taxes	\$ 19,587	\$ 20,209	\$ 21,443	\$ 21,156	\$ 17,371
Sales taxes	7,831	10,261	10,564	11,054	12,878
Transient occupancy taxes	234	234	223	278	230
Franchise taxes	2,342	2,264	1,995	2,032	1,980
Other taxes	3,601	3,347	1,778	1,786	1,880
Investment income	4,924	3,345	3,356	3,366	2,704
Motor vehicle in-lieu	453	349	301	521	53
Lawsuit settlements	(434)	871	-	-	-
Gain on sale of land	2,259	-	-	-	-
Miscellaneous	466	(3,314)	1,322	532	378
Transfers	675	365	209	354	450
Extraordinary gain/(loss) on dissolution of redevelopment agency	-	-	-	-	26,432
Total governmental activities	<u>41,938</u>	<u>37,931</u>	<u>41,191</u>	<u>41,079</u>	<u>64,356</u>
Business-type activities:					
Investment income	663	74	270	255	242
Miscellaneous	66	738	436	253	212
Transfers	(675)	(365)	(209)	(354)	(450)
Total business-type activities	<u>54</u>	<u>447</u>	<u>497</u>	<u>154</u>	<u>4</u>
Total primary government	<u>\$ 41,992</u>	<u>\$ 38,378</u>	<u>\$ 41,688</u>	<u>\$ 41,233</u>	<u>\$ 64,360</u>
Change in Net Position					
Governmental activities	\$ 5,245	\$ (4,873)	\$ 2,426	\$ 13,912	\$ 30,944
Business-type activities	2,349	2,208	1,268	1,060	1,301
Total primary government	<u>\$ 7,594</u>	<u>\$ (2,665)</u>	<u>\$ 3,694</u>	<u>\$ 14,972</u>	<u>\$ 32,245</u>

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

City of South Gate
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues and Other Changes in Position					
Governmental activities:					
Taxes					
Property taxes	\$ 13,346	\$ 12,834	\$ 13,301	\$ 11,712	\$ 12,131
Sales taxes	13,347	14,186	17,838	21,838	20,623
Transient occupancy taxes	250	278	267	350	390
Franchise taxes	2,031	2,228	2,287	2,420	2,454
Other taxes	1,745	1,862	2,006	2,073	2,216
Investment income	2,638	2,487	1,784	2,412	1,539
Motor vehicle in-lieu	44	-	42	39	45
Lawsuit settlements	-	-	-	-	-
Gain on sale of land	-	-	-	-	-
Miscellaneous	2,081	832	1,538	1,237	576
Transfers	51	95	-	(1,066)	(1,294)
Extraordinary gain/(loss) on dissolution of redevelopment agency	-	-	-	-	-
Total governmental activities	<u>35,533</u>	<u>34,802</u>	<u>39,063</u>	<u>41,015</u>	<u>38,680</u>
Business-type activities:					
Investment income	142	118	127	-	-
Miscellaneous	731	298	532	-	-
Transfers	(51)	(95)	-	1,066	1,294
Total business-type activities	<u>822</u>	<u>321</u>	<u>659</u>	<u>1,066</u>	<u>1,294</u>
Total primary government	<u>\$ 36,355</u>	<u>\$ 35,123</u>	<u>\$ 39,722</u>	<u>\$ 42,081</u>	<u>\$ 39,974</u>
Change in Net Position					
Governmental activities	\$ 4,951	\$ 8,434	\$ 5,447	\$ 9,972	\$ 2,065
Business-type activities	2,184	5,326	6,726	8,603	8,130
Total primary government	<u>\$ 7,135</u>	<u>\$ 13,760</u>	<u>\$ 12,173</u>	<u>\$ 18,575</u>	<u>\$ 10,195</u>

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

City of South Gate
Fund Balances of Governmental Funds
Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>
General fund					
Reserved	\$ 45,162	\$ 43,151	\$ 41,782	\$ -	\$ -
Unreserved					
Designated	-	-	-	-	-
Undesignated	1,739	(132)	(45)	-	-
Nonspendable	-	-	-	39,714	38,089
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	4,716	7,216
Total general fund	<u>46,901</u>	<u>43,019</u>	<u>41,737</u>	<u>44,430</u>	<u>45,305</u>
All other governmental funds					
Reserved	19,005	10,721	11,272	-	-
Unreserved, reported in:					
Special revenue funds	11,216	12,923	10,411	-	-
Capital project funds	-	691	6,096	-	-
Debt service funds	(8,805)	(7,996)	(12,013)	-	-
Nonspendable	-	-	-	7,399	4,726
Restricted					
Restricted, reported in:					
Special Revenue funds	-	-	-	16,089	13,147
Capital projects funds	-	-	-	4,228	916
Low and moderate housing activities	-	-	-	-	-
Committed					
Capital Project	-	-	-	-	-
Unassigned					
Unassigned, reported in:					
Special Revenue funds	-	-	-	(215)	(257)
Debt service funds	-	-	-	(11,962)	-
Total all other governmental funds	<u>\$ 21,416</u>	<u>\$ 16,339</u>	<u>\$ 15,766</u>	<u>\$ 15,539</u>	<u>\$ 18,532</u>

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

*GASB 54 was implemented in 2011, prior years have no comparable data

City of South Gate
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved					
Designated	-	-	-	-	-
Undesignated	-	-	-	-	-
Nonspendable	36,768	36,339	14,330	11,706	9,522
Restricted	-	280	391	280	224
Committed	-	1,000	1,000	16,000	15,930
Assigned	-	134	3,452	3,572	3,724
Unassigned	11,136	12,691	23,146	14,570	18,342
Total general fund	<u>47,904</u>	<u>50,444</u>	<u>42,319</u>	<u>46,128</u>	<u>47,742</u>
All other governmental funds					
Reserved	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Nonspendable	4,479	4,274	4,005	1	400
Restricted					
Restricted, reported in:					
Special Revenue funds	14,557	15,041	16,281	21,168	21,227
Capital projects funds	750	655	681	128	2
Low and moderate housing activities	-	1,146	955	8,799	10,980
Committed					
Capital Project	-	-	-	558	558
Unassigned					
Unassigned, reported in:					
Special Revenue funds	(323)	(295)	(472)	(5,401)	(3,672)
Debt service funds	-	-	-	(26)	(26)
Total all other governmental funds	<u>\$ 19,463</u>	<u>\$ 20,821</u>	<u>\$ 21,450</u>	<u>\$ 25,227</u>	<u>\$ 29,469</u>

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

*GASB 54 was implemented in 2011, prior years have no comparable data

City of South Gate
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Revenues</u>					
Taxes	\$ 33,009	\$ 33,822	\$ 37,547	\$ 36,329	\$ 33,956
Intergovernmental	20,006	25,013	19,777	23,812	21,378
Charges for service	2,977	2,881	5,342	5,357	5,213
Fines and forfeitures	2,916	4,301	2,530	2,660	2,940
Licenses and permits	1,663	1,438	1,073	963	1,030
Investment income	3,059	2,474	3,339	3,344	2,975
Lease income	2,730	2,353	-	-	-
Rental income	334	317	-	-	-
Lawsuit settlements	1,900	14	-	-	-
Other	3,377	3,028	1,459	577	1,345
Total revenues	<u>71,971</u>	<u>75,641</u>	<u>71,067</u>	<u>73,042</u>	<u>68,837</u>
<u>Expenditures</u>					
General government	6,139	6,213	5,347	5,259	5,436
Public works	17,956	24,662	7,642	7,130	7,708
Parks and recreation	4,267	4,407	4,237	4,022	4,355
Police	21,327	24,068	20,066	18,842	19,158
Community development	15,087	12,530	17,512	13,537	13,780
Capital Outlay	-	-	8,362	12,118	7,325
Debt service:					
Principal	3,365	3,683	4,355	4,648	4,569
Interest and fees	6,947	6,959	6,028	5,717	4,050
Bond issuance costs	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Total expenditures	<u>75,088</u>	<u>82,522</u>	<u>73,549</u>	<u>71,273</u>	<u>66,381</u>
Excess of revenues over (under) expenditures	<u>\$ (3,117)</u>	<u>\$ (6,881)</u>	<u>\$ (2,482)</u>	<u>\$ 1,769</u>	<u>\$ 2,456</u>

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
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Revenues</u>					
Taxes	\$ 30,855	\$ 31,279	\$ 35,065	\$ 39,966	\$ 39,925
Intergovernmental	20,733	23,835	18,920	20,009	27,090
Charges for service	5,672	5,708	5,968	3,365	3,227
Fines and forfeitures	2,135	2,915	2,477	1,249	1,183
Licenses and permits	1,025	1,468	1,322	1,557	1,482
Investment income	2,630	2,474	1,768	2,226	1,204
Lease income	-	-	-	-	-
Rental income	-	-	-	-	-
Lawsuit settlements	-	-	-	-	-
Other	2,137	841	1,802	3,943	3,635
Total revenues	<u>65,187</u>	<u>68,520</u>	<u>67,322</u>	<u>72,315</u>	<u>77,746</u>
<u>Expenditures</u>					
General government	5,154	4,889	5,568	6,369	6,545
Public works	8,250	8,602	7,764	8,405	9,276
Parks and recreation	4,616	4,890	5,593	6,027	6,429
Police	19,456	19,344	20,430	22,863	24,131
Community development	10,333	11,608	10,533	10,893	10,766
Capital Outlay	8,467	10,531	7,066	12,912	12,891
Debt service:					
Principal	2,799	2,686	16,251	1,823	1,725
Interest and fees	2,281	2,141	1,613	1,109	1,028
Bond issuance costs	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Total expenditures	<u>61,356</u>	<u>64,691</u>	<u>74,818</u>	<u>70,401</u>	<u>72,791</u>
Excess of revenues over (under) expenditures	<u>\$ 3,831</u>	<u>\$ 3,829</u>	<u>\$ (7,496)</u>	<u>\$ 1,914</u>	<u>\$ 4,955</u>

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
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Other financing sources (uses)</u>					
Transfers in	\$ 30,046	\$ 13,443	\$ 14,822	\$ 15,871	\$ 5,509
Transfers out	(29,498)	(13,252)	(14,603)	(15,345)	(5,094)
Proceeds from sale of land	2,259	-	-	-	-
Write-offs	-	(3,461)	-	-	-
Pension contribution	-	-	-	-	-
Capital leases	-	-	407	171	-
Debt issued	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Contributions to Successor Agency	-	-	-	-	-
Total other financing sources (uses)	<u>2,807</u>	<u>(3,270)</u>	<u>626</u>	<u>697</u>	<u>415</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>997</u>
Net change in fund balances	<u>\$ (310)</u>	<u>\$ (10,151)</u>	<u>\$ (1,856)</u>	<u>\$ 2,466</u>	<u>\$ 3,868</u>
Debt service as a percentage of noncapital expenditures	13.7%	12.9%	15.9%	17.5%	14.6%

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
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Other financing sources (uses)</u>					
Transfers in	\$ 8,053	\$ 10,067	\$ 6,061	\$ 14,968	\$ 11,212
Transfers out	(8,001)	(9,972)	(6,061)	(16,034)	(12,345)
Proceeds from sale of land	-	-	-	-	-
Write-offs	-	-	-	-	-
Pension contribution	-	-	-	-	-
Capital leases	-	-	-	-	-
Debt issued	-	-	-	882	-
Payment to bond escrow agent	-	-	-	-	-
Contributions to Successor Agency	(353)	-	-	-	-
Total other financing sources (uses)	<u>(301)</u>	<u>95</u>	<u>-</u>	<u>(184)</u>	<u>(1,133)</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 3,530</u>	<u>\$ 3,924</u>	<u>\$ (7,496)</u>	<u>\$ 1,730</u>	<u>\$ 3,822</u>
Debt service as a percentage of noncapital expenditures	9.6%	8.9%	26.4%	5.1%	4.6%

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

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City of South Gate
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

(amounts expressed in thousands)

	<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>2016</u>	<u>2017</u>
<u>Type of Tax</u>										
Property tax	\$ 19,587	\$ 20,209	\$ 21,443	\$ 21,156	\$ 17,371	\$ 13,346	\$ 12,834	\$ 13,301	\$ 11,712	\$ 12,131
Sales and use tax	7,831	10,261	10,564	11,054	12,877	13,347	14,186	17,838	21,838	20,623
Transient occupancy tax	234	234	223	278	229	250	278	267	350	390
Franchise tax	2,342	2,264	1,995	2,032	1,979	2,031	2,228	2,287	2,420	2,454
Business licenses tax	1,297	1,196	1,204	1,204	1,348	1,213	1,336	1,398	1,466	1,584
Motor vehicle in-lieu	453	349	302	521	53	43	-	42	39	45
Other taxes**	<u>2,304</u>	<u>2,151</u>	<u>574</u>	<u>582</u>	<u>532</u>	<u>532</u>	<u>525</u>	<u>608</u>	<u>608</u>	<u>632</u>
Total	<u><u>\$ 34,048</u></u>	<u><u>\$ 36,664</u></u>	<u><u>\$ 36,305</u></u>	<u><u>\$ 36,827</u></u>	<u><u>\$ 34,389</u></u>	<u><u>\$ 30,762</u></u>	<u><u>\$ 31,387</u></u>	<u><u>\$ 35,741</u></u>	<u><u>\$ 38,433</u></u>	<u><u>\$ 37,859</u></u>

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

** Beginning in FY 2010, Other taxes include Real Estate Transfer Tax and Material Recovery Facility Tax only

City of South Gate
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Agency	2008	2009	2010	2011	2012
Basic Levy *	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.01071	0.00994	0.01854	0.02677	0.01782
Compton Community College District	0.01763	0.01262	0.01296	0.01487	0.01481
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.07569	0.05790	0.06507	0.07018	0.06725
LA Community College District	0.00879	0.02212	0.02311	0.04031	0.0353
LA County Flood Control	0.00000	0.00000	0.00000	0.00000	0.00000
Los Angeles Unified School District	0.12334	0.12478	0.15181	0.18695	0.16819
Lynwood Unified School District	0.04370	0.04498	0.04359	0.04945	0.05171
Metropolitan Water District	0.00450	0.00430	0.00430	0.00370	0.00370
Paramount Unified School District	0.09928	0.10826	0.11336	0.08384	0.10343
Total Direct & Overlapping ** Tax Rates	1.38364	1.38490	1.43274	1.47607	1.46221
City's Share of 1% Levy per Prop 13***	0.06146	0.06146	0.06146	0.06146	0.06146
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate****	1.00454	1.00436	1.00430	1.00370	1.00370
Total Direct Rate*****	0.24713	0.24958	0.25616	0.25692	0.25454

Notes:

*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing 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
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

Agency	2013	2014	2015	2016	2017
Basic Levy *	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College District	0.02594	0.02502	0.04809	0.04809	0.04698
Compton Community College District	0.01531	0.00963	0.00987	0.00926	0.00920
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.07132	0.06603	0.06549	0.11466	0.11473
LA Community College District	0.04875	0.04454	0.04017	0.03576	0.03596
LA County Flood Control	0.00000	0.00000	0.00000	0.00000	0.00000
Los Angeles Unified School District	0.17561	0.14644	0.14688	0.12971	0.13110
Lynwood Unified School District	0.05059	0.12005	0.08489	0.09583	0.10308
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00350
Paramount Unified School District	0.10930	0.10457	0.10105	0.05266	0.10677
Total Direct & Overlapping ** Tax Rates	1.50032	1.51978	1.49995	1.48947	1.55132
City's Share of 1% Levy per Prop 13***	0.06146	0.06146	0.06146	0.06146	0.06146
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate****					
Total Direct Rate*****	0.02675	0.06078	0.06081	0.06084	0.06086

Notes:

*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing 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

<u>Type of Property</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	\$ 3,232,042	\$ 3,404,368	\$ 3,142,928	\$ 3,051,130	\$ 3,075,232
Commercial	444,779	478,313	479,417	472,304	478,978
Industrial	557,494	576,183	600,356	564,224	575,910
Farm	595	607			622
Government	2,953	3,012			3,088
Institutional	7,697	8,595			18,826
Irrigated	13,353	11,700			10,676
Miscellaneous	426	435			446
Recreational	4,870	4,967			4,276
Vacant Land	78,515	95,905			86,292
SBE Nonunitary	486	486			419
Possessory Interest	8,718	8,765			-
Unsecured	273,862	299,476			296,719
Unknown	-	-			7,972
Other	391,475	433,948	442,176	444,219	429,336
Tax-Exempt	-	-	-	-	(59,538)
Total taxable Assessed Value	\$ 4,625,790	\$ 4,892,812	\$ 4,664,877	\$ 4,531,877	\$ 4,559,456
Total direct tax rate	0.24715%	0.24933%	0.24933%	0.25692%	0.25454%

Source: Los Angeles County Assessor

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

<u>Type of Property</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$ 3,133,928	\$ 3,223,318	\$ 3,360,338	\$ 3,526,730	\$ 3,682,817
Commercial	485,760	495,030	502,898	526,371	553,697
Industrial	572,896	586,502	627,907	653,662	668,701
Farm	635	647	650	663	673
Government	3,150	3,213	3,227	3,292	3,595
Institutional	12,443	12,791	18,895	12,343	15,256
Irrigated	10,355	9,031	9,497	10,674	11,572
Miscellaneous	454	464	-	-	-
Recreational	4,362	4,449	4,715	4,372	6,675
Vacant Land	87,607	81,439	90,777	110,995	99,828
SBE Nonunitary	419	419	419	419	530
Possessory Interest	-	-	-	-	-
Unsecured	304,312	305,457	323,351	339,707	350,070
Unknown	10,843	14,705	10,852	11,327	11,674
Other	434,580	432,613	462,382	493,790	499,873
Tax-Exempt	(54,662)	(48,602)	(47,025)	(47,025)	(46,977)
Total taxable A.V.	\$ 4,627,164	\$ 4,737,463	\$ 4,953,525	\$ 5,200,554	\$ 5,405,089
Total direct tax rate	0.26745%	0.60780%	0.60810%	0.60840%	0.60860%

Source: Los Angeles County Assessor

City of South Gate
Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2017			2008		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Schultz Steel Company	\$ 114,121	1	2.11%	\$ 91,548	1	1.98%
Tesoro Logistics Operations LLC	69,020	2	1.28%			
El Paseo Southern Gate LLC	56,823	3	1.05%	50,207	2	1.09%
South Gate Business & Industrial Park	32,956	4	0.61%	28,524	5	0.62%
Azalea Joint Venture LLC	32,618	5	0.60%			0.00%
Armstrong Cork Company	28,598	6	0.53%	21,994	9	0.48%
Hudd Distribution Services Inc.	26,562	7	0.49%	26,163	6	0.57%
Rockview Dairies Inc.	24,076	8	0.45%	22,986	7	0.50%
Wal Mart Real Estate Business Trust/Sams	23,178	9	0.43%			0.00%
World Oil Company	22,539	10	0.42%			0.00%
BP West Coast Products LLC				44,861	3	0.97%
South Gate Gateway LLC				38,500	4	0.83%
United States Gypsum Company				22,781	8	0.49%
Hon Industries Inc.				21,792	10	0.47%
	<u>\$ 430,491</u>		<u>7.97%</u>	<u>\$ 369,356</u>		<u>8.00%</u>
City Total Assessed Valuation	5,405,089			4,625,790		

World Oil Company

Source: Los Angeles County Assessor and HdL Companies

City of South Gate
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (1)	
		Amount	% of Levy		Amount	% of Levy
2017	\$ 2,504	\$ 2,636	105.27%	N/A	N/A	N/A
2016	2,431	2,532	104.15%	N/A	N/A	N/A
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

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.

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City of South Gate
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Bonded Debt		Percentage of Actual Taxable Value of Property (1)	Per Capita (2)	Other Governmental Activities Debt			
	Revenue Bonds	Pension Obligation Bonds			Certificates of Participation	Assessment Bonds	Capital Leases	Notes/Loans
2017	\$ -	\$ 16,375	0.30%	166.02	\$ -	\$ -	\$ 730	\$ 1,130
2016	-	17,445	0.34%	175.19	-	-	825	1,690
2015	-	18,460	0.37%	192.09	-	-	221	2,220
2014	-	19,425	0.41%	202.22	14,395	30	582	2,720
2013	-	20,345	0.44%	213.90	15,315	60	927	3,190
2012	-	21,220	0.47%	224.98	16,185	85	1,516	3,630
2011	25,115	22,055	1.04%	462.84	17,010	110	2,085	4,045
2010	38,570	22,845	1.32%	599.83	18,095	130	2,445	4,435
2009	40,330	23,600	1.31%	626.39	19,130	150	2,444	4,821
2008	42,030	24,100	1.43%	653.16	20,130	170	2,831	5,197

Fiscal Year Ended June 30	Business Type Activities		Percentage of Personal Income (2)	Per Capita (2)
	Water Revenue Bonds	Total Primary Government (3)		
2017	\$ 39,777	\$ 58,012	4.19%	\$ 588.16
2016	41,187	61,147	4.49%	614.06
2015	42,540	63,441	4.68%	660.15
2014	43,839	80,991	5.96%	843.15
2013	44,941	84,778	6.38%	891.32
2012	34,749	77,385	5.87%	820.45
2011	35,713	106,133	7.98%	1,041.40
2010	36,627	123,147	9.57%	1,202.75
2009	37,177	127,652	9.73%	1,250.74
2008	37,988	132,446	10.25%	1,308.15

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) See Assessed Value of Property schedule for taxable property value data.
- (2) See Demographic & Economic Statistics schedule for population and personal income data. These ratios are calculated using personal income and population for the prior calendar year.
- (3) Includes general bonded debt, other governmental activities debt, and business-type activities debt.

City of South Gate
Direct & Overlapping Debt
June 30, 2017

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable To City</u>	<u>Net Bonded Debt</u>
Direct Debt			
264.01 2005 PENSION OBLIGATION BONDS	16,375,000	100.000	16,375,000
Total Direct Debt			16,375,000
Overlapping Debt			
*315.05 METROPOLITAN WATER DISTRICT	36,281,674	0.381	138,097
790.53 CERRITOS CCD DS 2004 SERIES 2009C	3,610,000	1.180	42,608
790.54 CERRITOS CCD DS 2004 SERIES 2012D	81,752,021	1.180	964,905
790.55 CERRITOS CCD DS 2012 SERIES 2014A	81,355,000	1.180	960,219
790.56 CERRITOS CCD DS 2014 REF BONDS SERIES A	78,350,000	1.180	924,751
790.57 CERRITOS CCD DS 2014 REF BONDS SERIES B	15,670,000	1.180	184,950
793.51 COMPTON CCD DS 2002 SERIES 2008A	855,000	2.393	20,458
793.52 COMPTON CCD DS 2002 SERIES 2012C	14,565,863	2.393	348,523
793.53 COMPTON CCD DS 2012 REF BONDS	12,140,000	2.393	290,478
793.54 COMPTON CCD DS 2002 SERIES 2013D	16,444,972	2.393	393,485
793.55 COMPTON CCD DS 2014 REF	16,570,000	2.393	396,477
793.56 COMPTON CCD DS 2015 REF BONDS	12,780,000	2.393	305,792
805.55 LA CCD DS 2003 TAXABLE SERIES 2004B	33,670,000	0.594	200,061
805.58 LA CCD DS 2001, 2006 SERIES B	4,880,000	0.594	28,996
805.60 LA CCD DS 2001, 2008 SER E-1	14,440,000	0.594	85,800
805.62 LA CCD DS 2003, 2008 SER F-1	14,320,000	0.594	85,087
805.65 LA CCD DS 2008, 2009 TAXABLE SER B	75,000,000	0.594	445,635
805.66 LA CCD DS 2008, 2010 TAX SERIES D	125,000,000	0.594	742,726
805.67 LA CCD DS 2008, 2010 TAX SER E (BABS)	900,000,000	0.594	5,347,625
805.70 LA CCD DS 2013 REF BONDS	254,505,000	0.594	1,512,219
805.71 LA CCD DS 2008 SERIES G	224,160,000	0.594	1,331,915
805.73 LA CCD DS 2015 REF SERIES A	1,459,300,000	0.594	8,670,876
805.74 LA CCD DS 2015 REF SERIES B	37,655,000	0.594	223,739
805.75 LA CCD DS 2015 REF SERIES C	289,955,000	0.594	1,722,856
805.77 LA CCD DS 2008 SER J	414,995,000	0.594	2,465,819
853.53 DOWNEY USD DS REFUNDING 1999 SERIES A	4,405,256	4.455	196,236
853.60 DOWNEY USD DS 2007 REF BDS	17,520,000	4.455	780,446
853.61 DOWNEY USD DS 2011 REFUNDING BONDS	8,050,000	4.455	358,595
853.62 DOWNEY USD DS 2012 REF BONDS	14,110,000	4.455	628,544
853.63 DOWNEY USD DS 2014 SERIES A	47,750,000	4.455	2,127,070
853.65 DOWNEY USD DS 2016 REF BONDS	7,065,000	4.455	314,717
887.56 LOS ANGELES UNIF DS 2002 REF BOND	15,215,000	0.732	111,427
887.66 LOS ANGELES UNIF DS 2005 REF BONDS A-1	71,850,000	0.732	526,193
887.67 LOS ANGELES UNIF DS 2005 REF BONDS A-2	14,790,000	0.732	108,315
887.76 LOS ANGELES UNIF DS 2007 REF BDS SER A-1	4,225,000	0.732	30,942
887.77 LOS ANGELES UNIF DS 2007 REF BDS SER A-2	17,510,000	0.732	128,234
887.79 LOS ANGELES UNIF DS 2007 REF BDS SER B	32,100,000	0.732	235,084
887.86 LOS ANGELES UNIF DS 2002 SERIES E	200,000,000	0.732	1,464,700
887.87 LOS ANGELES UNIF DS 2004 SERIES J	756,510,000	0.732	5,540,300
887.89 LOS ANGELES UNIF DS 2005 SERIES H	608,995,000	0.732	4,459,974

City of South Gate
Direct & Overlapping Debt (Continued)
June 30, 2017

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable To City</u>	<u>Net Bonded Debt</u>
Overlapping Debt (Continued)			
887.91 LAUSD MEASURE R SERIES 2009	75,630,000	0.732	553,876
887.92 LAUSD MEASURE R SERIES KRY BABS	363,005,000	0.732	2,658,467
887.93 LAUSD MEASURE Y 2009 SERIES KRY BABS	806,795,000	0.732	5,908,563
887.95 LAUSD MEASURE K 2010 SERIES KRY	145,250,000	0.732	1,063,738
887.96 LAUSD MEASURE R 2010 SERIES KRY	157,165,000	0.732	1,150,998
887.97 LAUSD MEASURE Y 2010 SERIES KRY	130,450,000	0.732	955,350
887.98 LAUSD MEASURE R 2010 SERIES RY BABS	477,630,000	0.732	3,497,923
887.99 LAUSD MEASURE Y 2010 SERIES RY BABS	772,955,000	0.732	5,660,735
888.54 LAUSD MEASURE Y 2010 SERIES KY	29,100,000	0.732	213,114
888.57 LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A	146,935,000	0.732	1,076,078
888.58 LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A	146,930,000	0.732	1,076,042
888.59 LOS ANGELES UNIF DS 2012 REFUNDING BOND SERIES A	139,510,000	0.732	1,021,701
888.60 LOS ANGELES UNIF DS 2014 REF BOND SERIES A	142,415,000	0.732	1,042,976
888.61 LOS ANGELES UNIF DS 2014 REF BOND SERIES B	323,170,000	0.732	2,366,735
888.62 LOS ANGELES UNIF DS 2014 REF BOND SERIES C	934,275,000	0.732	6,842,162
888.63 LOS ANGELES UNIF DS 2014 REF BOND SERIES D	153,385,000	0.732	1,123,315
888.64 LOS ANGELES UNIF DS 2004 SERIES J	12,285,000	0.732	89,969
888.65 LOS ANGELES UNIF DS 2004 SERIES K	1,235,000	0.732	9,045
888.66 LOS ANGELES UNIF DS 2005 SERIES K	14,480,000	0.732	106,044
888.67 LOS ANGELES UNIF DS 2005 SERIES L	4,410,000	0.732	32,297
888.68 LOS ANGELES UNIF DS 2015 REF BONDS SERIES A	318,085,000	0.732	2,329,495
888.69 LOS ANGELES UNIF DS 2008 SERIES A 2016	1,217,135,000	0.732	8,913,687
888.70 LOS ANGELES UNIF DS 2016 REF BONDS SERIES A	1,581,685,000	0.732	11,583,469
891.50 LYNWOOD USD DS 2002 SERIES A	893,951	0.974	8,707
891.51 LYNWOOD USD DS 2012 REF BONDS	14,520,000	0.974	141,420
891.52 LYNWOOD USD DS 2012 SERIES A	14,150,000	0.974	137,816
891.53 LYNWOOD USD DS 2012 SERIES B	10,605,000	0.974	103,289
891.54 LYNWOOD USD DS 2012 SERIES C	9,610,000	0.974	93,598
907.52 PARAMOUNT USD DS 2006 SERIES 2007	8,269,976	7.811	645,948
907.53 PARAMOUNT USD DS 2006, SERIES 2011 BONDS	33,825,310	7.811	2,642,013
907.54 PARAMOUNT USD DS 2006 2013 SERIES C	33,838,515	7.811	2,643,045
907.55 PARAMOUNT USD DS REF BOND SERIES 2015	36,830,000	7.811	2,876,702
Total Overlapping Debt			113,413,194
Total Direct and Overlapping Debt			129,788,194

2016/17 Assessed Valuation: \$4,115,368,696 After Deducting \$1,289,720,552 Incremental Value.

Debt To Assessed Valuation Ratios:

Direct Debt	0.04%
Overlapping Debt	2.76%
Total Debt	3.15%

*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, Los Angeles County Assessor and Auditor Combined 2016/17 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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 693,869	\$ 733,922	\$ 711,913	\$ 686,435	\$ 697,223
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	693,869	733,922	711,913	686,435	697,223
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

**Legal Debt Margin Calculation for
Fiscal Year 2016-2017:**

Assessed value	\$ 5,449,735
Add back: exempt real property	44,646
Total assessed value	<u>\$ 5,494,382</u>
Debt limit (15% of total assessed value)	\$ 824,157
Debt applicable to limit:	-
Legal debt margin	<u>\$ 824,157</u>

Source: L.A. County Assessor 2016/17 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
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 708,842	\$ 728,496	\$ 759,572	\$ 799,634	\$ 824,157
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	708,842	728,496	759,572	799,634	824,157
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Source: L.A. County Assessor 2016/17 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
Pledge Revenue Coverage
Last Ten Fiscal Years**

2001 Utility Revenue Bonds

Fiscal Year	Utility Charges and Other (1)	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2017	\$ 19,924,023	\$ 9,359,674	\$ 10,564,349	\$ 1,605,000	\$ 1,525,650	\$ 3,130,650	337.45%
2016	20,727,981	9,665,349	11,062,632	1,600,000	1,534,350	3,134,350	352.95%
2015	19,011,746	8,619,311	10,392,435	1,595,000	1,541,800	3,136,800	331.31%
2014	17,756,659	8,967,497	8,789,162	1,445,000	1,543,675	2,988,675	294.08%
2013	17,952,236	9,460,882	8,491,354	1,450,000	1,208,125	2,658,125	319.45%
2012	13,394,320	8,278,829	5,115,491	1,375,000	1,366,533	2,741,533	186.59%
2011	12,472,953	7,719,720	4,753,233	1,305,000	1,441,389	2,746,389	173.07%
2010	12,553,014	7,037,537	5,515,477	1,240,000	1,512,402	2,752,402	200.39%
2009	12,860,069	6,925,612	5,934,457	1,175,000	1,569,082	2,744,082	216.26%
2008	13,158,894	6,469,823	6,689,071	1,120,000	1,596,948	2,716,948	246.20%

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	
2017	\$ 19,720,428	\$ 9,359,674	\$ 10,360,754	\$ 1,605,000	\$ 1,525,650	\$ 3,130,650	330.95%
2016	20,524,386	9,665,349	10,859,037	1,600,000	1,534,350	3,134,350	346.45%
2015	18,808,151	8,619,311	10,188,840	1,595,000	1,541,800	3,136,800	324.82%
2014	17,553,064	8,967,497	8,585,567	1,445,000	1,543,675	2,988,675	287.27%
2013	17,553,064	9,460,882	8,092,182	1,450,000	1,208,125	2,658,125	304.43%

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.

1) Amount Includes transfer in from Sewer Fund for its share of the debt service payment.

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)
2016	98,633	\$ 1,384,879	\$ 14,040	28,859	6.9%
2015	99,578	1,361,700	13,674	28,920	8.8%
2014	96,101	1,354,544	14,095	28,956	10.7%
2013	96,057	1,358,150	14,139	29,699	9.8%
2012	95,115	1,327,805	13,960	29,830	11.9%
2011	94,320	1,317,273	13,966	30,174	15.6%
2010	101,914	1,329,570	13,046	30,678	16.0%
2009	102,388	1,286,554	12,565	31,211	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%

Sources:

- (1) State of California - Department of Finance
- (2) Bureau of Economic Analysis - reflects latest data available for Los Angeles Metro region
- (3) Factfinder.census.gov. 2009 - 2016. For 2007 - 2008, data were provided by local school districts.
- (4) California Employment Development Department/U.S. Dept. of Labor - Bureau of Labor Statistics

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Manager	5.00	5.00	3.50	6.10	5.00	5.00	5.00	5.00	7.00	7.00
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	4.00	4.00	4.00	4.00
Personnel	5.00	5.00	3.40	2.90	4.00	4.00	4.00	4.00	5.00	5.00
Finance	24.00	23.00	22.90	21.00	18.00	20.00	20.00	20.00	20.00	24.00
Police										
Officers	95.00	93.00	99.00	80.00	80.00	82.00	82.00	82.00	82.00	82.00
Civilians	48.00	40.00	34.00	37.00	37.00	37.00	39.00	39.00	41.00	41.00
Public Works										
Administration/Engineering	8.00	8.00	8.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00
Maintenance	48.00	47.00	43.15	36.15	35.00	37.00	37.00	36.00	37.00	37.00
Water/Sewer	22.00	22.00	25.85	28.85	19.00	26.00	27.00	27.00	26.00	29.00
Parks & Recreation	40.00	39.00	39.50	33.00	30.00	35.00	38.00	38.00	42.00	43.00
Community Development	35.00	33.00	33.00	28.00	22.00	26.00	25.00	25.00	24.00	25.00
Sub-Total	334.00	319.00	316.30	284.00	262.00	284.00	290.00	289.00	297.00	306.00
Part-Time Hours	122,836	121,464	85,368	100,378	125,070	109,385	114,095	129,005	121,757	109,880
Full-Time Equivalents	59.06	58.40	41.04	48.25	60.13	52.59	54.85	62.02	58.54	52.83
TOTAL POSITIONS	393.06	377.40	357.34	332.25	322.13	336.59	344.85	351.02	355.54	358.83

Source: City of South Gate Finance Department

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

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Function</u>						
Police	Calls for service	42,884	43,224	39,670	36,329	36,250
	Arrests	3,627	3,060	2,468	2,468	2,226
	Parking citations issued	12,616	16,770	23,339	22,512	20,491
	Moving citations/traffic violations	13,525	11,858	8,035	18,344	14,111
	Share of seized asset (in thousands)	\$ 2,026	\$ 1,335	\$ 810	\$ 758	\$ 1,360
Water	Customer accounts	15,136	14,906	15,570	15,578	14,350
	Average daily consumption (millions of gallons)	7.0	7.2	7.1	8.0	7.4
	Water samples taken	1,647	1,602	2,892	2,306	2,111
	New connections	21	27	8	8	5
Street Maintenance	Potholes repaired	687	504	476	211	135
	Sq.ft of graffiti removal (in thousands)	1,856	2,154	845	700	700
	Miles of streets swept	28,809	29,287	32,583	30,180	33,543
Culture and Recreation	Golf course participants	9,942	4,851	8,879	7,750	7,780
	Swimming participants	45,472	2,969	37,159	73,113	85,685
	Facility rentals	2,959	1,129	921	1,265	1,360
	Recreation classes provided	1,021	216	160	1,060	207
Community Development	Permits issued	9,309	8,154	4,588	4,796	4,599
	Code enforcement inspections	7,586	7,135	5,879	6,879	6,506
	Housing vouchers issued	126	111	63	51	54

Source: Various City Departments

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

		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Function</u>						
Police	Calls for service	37,129	35,528	37,658	44,565	44,829
	Arrests	2,288	2,559	2,612	3,203	3,055
	Parking citations issued	13,809	24,146	23,300	22,927	23,425
	Moving citations/traffic violations	4,289	3,676	3,139	4,604	4,258
	Share of seized asset (in thousands)	\$ 744	\$ 1,586	\$ 1,264	\$ 1,616	\$ 2,149
Water	Customer accounts	15,445	15,445	15,361	15,454	15,520
	Average daily consumption (millions of gallons)	7.5	7.5	6.7	6.8	6.4
	Water samples taken	2,240	2,240	1,940	2,173	2,169
	New connections	9	9	13	19	15
Street Maintenance	Potholes repaired	206	1,215	1,250	1,250	2,500
	Sq.ft of graffiti removal (in thousands)	700	1,000	980	711	904
	Miles of streets swept	32,760	32,760	33,040	32,760	36,400
Culture and Recreation	Golf course participants	6,934	6,238	5,579	8,475	6,550
	Swimming participants	95,265	88,280	88,688	83,553	86,924
	Facility rentals	1,078	1,115	1,160	1,413	1,534
	Recreation classes provided	311	568	498	417	328
Community Development	Permits issued	4,459	3,377	2,931	3,247	2,980
	Code enforcement inspections	5,554	6,893	5,019	4,870	5,831
	Housing vouchers issued	36	35	41	47	61

Source: Various City Departments

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

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

Source: Various City Departments

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

<u>Function</u>		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police	Stations	1	1	1	1	1
	Patrol Units	37	37	37	37	38
Water	Miles of lines and mains	135	135	135	135	135
	Number of wells	11	11	11	11	12
	Number of tanks	2	2	2	2	2
	Number of reservoirs	5	5	5	5	6
Sewer	Miles of sewers	125.8	125.8	125.8	125.8	125.8
	Miles of storm drains	25.2	25.2	25.2	25.2	25.2
Streets	Miles of streets	125.8	125.8	125.8	125.8	125.8
	Traffic signals	86	83	83	83	86
	Streetlights	4,400	4,400	4,400	4,400	4,400
Culture and Recreation	Parks	8	8	8	8	8
	Park acreage	182	182	182	182	182
	Playgrounds	8	8	12	12	14
	Ballfields	16	16	17	17	17
	Swimming pools	1	1	1	1	1
	Community Centers	7	7	7	7	7

Source: Various City Departments

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