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CITY OF SOUTH EL MONTE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Prepared by: Finance Department

Fiscal Year Ended June 30, 2020

CITY OF SOUTH EL MONTE
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YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South El Monte (City), as of and for the year ended June 30, 2020, 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.

Auditors' 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 auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South El Monte as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability and contributions to its cost-sharing pension plan, and the budgetary comparison schedule, as listed within the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



San Diego, California

June 11, 2021

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of the City of South El Monte (City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$26,468,877 (net position). The City's total net position decreased by \$157,086.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,182,167, an increase of \$2,205,710 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,385,767, or 40% of total General Fund expenditures.
- The City's total long-term debt decreased by \$144,595 during the current fiscal year. This decrease was due to scheduled principal payments on outstanding notes and capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains 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's finances in a manner similar to a private sector business.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 is improving or deteriorating.

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

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

The government-wide financial statements can be found immediately following this MD&A on pages 11 – 12.

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Fund Financial Statements

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

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

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

The City maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Gas Tax Fund, HSIP Fund, Prop A Fund, Sewer Assessment Fund, and Housing Successor Fund, all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single aggregated presentation.

An operating budget for expenditures is prepared and adopted by the City each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary fund consists of an agency fund which is custodial in nature and does not present results of operations or a measurement of focus.

The basic fiduciary fund financial statements can be found on pages 17 – 18 of this report.

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 19 – 46 of this report.

Required Supplementary Information Other than MD&A

The required supplementary information other than the MD&A found immediately following the notes to the financial statements include the schedule of the City's changes in the cost sharing pension and other postemployment benefits (OPEB) liability, related ratios and contributions, changes in the single employer OPEB liability and related ratios, and the schedule of revenues, expenditures and changes in fund balance – budget and actual for the General Fund, Gas Tax Fund, Prop A Fund and Sewer Assessment Fund. Notes to the required supplementary information follow the budgetary comparison schedules.

Supplementary Information

The supplementary section includes the combining statements for the non-major governmental funds as well as applicable budget to actual comparison schedules. These schedules can be found on pages 55 –79.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,468,877 at the close of the most recent fiscal year.

A summary of the City's statement of net position is presented below:

| | Governmental Activities | | |
|---|--------------------------------|----------------------|---------------------|
| | 2020 | 2019 | Net Change |
| ASSETS AND DEFERRED OUTFLOWS | | | |
| Current and other assets | \$ 22,514,977 | \$ 19,215,832 | \$ 3,299,145 |
| Capital assets | 17,410,597 | 18,483,937 | (1,073,340) |
| Deferred outflows | 2,006,983 | 2,252,959 | (245,976) |
| Total Assets and Deferred Outflows | 41,932,557 | 39,952,728 | 1,979,829 |
| LIABILITIES AND DEFERRED INFLOWS | | | |
| Current liabilities | 2,332,810 | 1,239,375 | 1,093,435 |
| Long-term liabilities | 12,138,559 | 11,591,718 | 546,841 |
| Deferred inflows | 992,311 | 495,672 | 496,639 |
| Total Liabilities and Deferred Inflows | 15,463,680 | 13,326,765 | 2,136,915 |
| NET POSITION | | | |
| Net investment in capital assets | 15,385,721 | 16,279,206 | (893,485) |
| Restricted | 14,656,475 | 12,767,932 | 1,888,543 |
| Unrestricted | (3,573,319) | (2,421,175) | (1,152,144) |
| Total Net Position | \$ 26,468,877 | \$ 26,625,963 | \$ (157,086) |

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, furniture, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City 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. An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in the net investment in capital assets and restricted net position. The City reported a negative balance in unrestricted net position due to the City's reporting of its proportionate share of the net pension liability for its cost-sharing pension plan required under Governmental Accounting Standards Board (GASB) Statement No. 68.

Additional information on the City's net pension liability can be found in Note 9. of this report.

Overall, net position decreased \$157,086 or 1%. Key elements of this increase are indicated in the following table:

| | Governmental Activities | | |
|---|--------------------------------|----------------------|---------------------|
| | 2020 | 2019 | Net Change |
| REVENUES | | | |
| Program revenues | | | |
| Charges for services | \$ 3,247,176 | \$ 2,760,764 | \$ 486,412 |
| Operating grants and contributions | 1,626,320 | 1,790,794 | (164,474) |
| Capital grants and contributions | 1,590,854 | 2,073,780 | (482,926) |
| General revenues | | | |
| Property taxes, levied for general purposes | 1,696,431 | 1,035,976 | 660,455 |
| Transient occupancy taxes | 236,442 | 288,383 | (51,941) |
| Franchise taxes | 973,919 | 890,867 | 83,052 |
| Sales taxes | 7,343,638 | 7,545,803 | (202,165) |
| Motor vehicle in lieu tax | 2,638,576 | 2,481,572 | 157,004 |
| Investment earnings | 140,950 | 91,983 | 48,967 |
| Other | 503,180 | 139,308 | 363,872 |
| Total Revenues | 19,997,486 | 19,099,230 | 898,256 |
| EXPENSES | | | |
| General government | \$ 6,345,062 | \$ 3,702,128 | \$ 2,642,934 |
| Public safety | 5,530,803 | 5,453,070 | 77,733 |
| Community development | 1,674,360 | 1,789,151 | (114,791) |
| Public works | 3,273,015 | 3,463,458 | (190,443) |
| Community service programs | 3,299,829 | 3,388,622 | (88,793) |
| Interest on long-term debt | 31,503 | 31,816 | (313) |
| Total Expenses | 20,154,572 | 17,828,245 | 2,326,327 |
| Change in net position | (157,086) | 1,270,985 | (1,428,071) |
| Net Position - Beginning | 26,625,963 | 25,354,978 | 1,270,985 |
| Net Position - Ending | \$ 26,468,877 | \$ 26,625,963 | \$ (157,086) |

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The City reported an increase in charges for services of \$486,412 (18%). This increase is mainly due to increases in business license fees for new businesses coming to the City. In addition, building permit activity increased for commercial projects that were ongoing during the current year.

The operating grants and contributions decreased \$164,474 (9%). This decrease was primarily due to a decrease in the CalHOME project funding for the fiscal year.

Capital grants and contributions decreased \$482,926 (23%). This decrease was mainly due to decreases in CDBG funding and funding from other miscellaneous grants during the COVID epidemic.

The City experienced an increase in property tax revenue of \$660,455. This increase was mainly due to increases in property tax rates and assessed values as well as purchases and activity within City limits.

Other income increased \$363,872. This change was mainly due to a large unrestricted payment received from the State of California within the General Fund.

Changes in investment earnings was not considered significant.

The City incurred a 13% increase in expenses in the current year. The increase was mainly due to an increase in the proportionate share of the net pension liability that increased the City's liability and related expenses. The City also experienced an increase in purchased professional services for legal fees and consulting projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the City 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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,182,167, an increase of \$2,205,710 in comparison with the prior year. Approximately 27% of this total amount (\$5,488,254) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending.

CITY OF SOUTH EL MONTE
 MANGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS (CONTINUED)

Fund balances as of June 30, 2020, and the changes in fund balances from prior year are summarized as follows:

| | Balance | Increase (Decrease) From 2018-19 |
|-----------------------------|--------------|--|
| GOVERNMENTAL FUND | | |
| General Fund | \$ 6,399,267 | \$ 438,054 |
| Gas Tax Fund | 226,409 | 460,680 |
| HSIP Fund | (650,872) | (329,613) |
| Prop A Fund | 661,063 | 86,059 |
| Sewer Assessment Fund | 2,662,053 | 366,856 |
| Housing Successor Fund | 4,798,683 | 1,696 |
| Nonmajor Governmental Funds | 6,085,564 | 1,181,978 |

The General Fund increase was primarily due to an increase in property tax funding as well as licenses and permits with consistent spending practices.

The increase in the Gas Tax Fund was due to decreased spending on public works and roadway projects to reduce the prior year deficit.

The decrease in the HSIP fund was due to continued spending on street construction projects before funding has been received.

The increase in the Prop A Fund was the result of continued intergovernmental revenues over related expenditures.

The increase in the Sewer Assessment Fund was due to continued spending significantly under assessments collected.

The Housing Successor Fund increase was not considered significant.

The increase in the Nonmajor Governmental Funds was largely due increases in intergovernmental funding that will be used for future projects.

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND BUDGETARY HIGHLIGHTS

The City reported a negative expenditure budget variance of \$246,308. The most significant factors for the negative budget variance were cost increases of \$211,688 for emergency preparedness as it related to the COVID-19 Pandemic and \$211,358 for debt service payments that were not budgeted. To offset that negative budget variance, the City reported \$2,063,523 more of revenue than was budget. This positive variance over budget was mainly due to higher actual revenues over estimated revenues of \$1,045,783 for taxes, \$745,247 for licenses and permits, \$157,434 for charges for services, and 309,124 for other revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$17,410,597 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, equipment, furniture, machinery, and infrastructure. The net decrease in the City's investment in capital assets for the current fiscal year was 6%.

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

- Street improvement projects
- Street lighting
- Technology upgrades

Additional information on the City's capital assets can be found in Note 7 of this report.

| | Governmental Activities | | |
|------------------------------------|--------------------------------|----------------------|-----------------------|
| | 2020 | 2019 | Net Change |
| CAPITAL ASSETS | | | |
| Land | \$ 3,126,512 | \$ 3,126,512 | \$ - |
| Construction in progress | 1,473,673 | 978,598 | 495,075 |
| Buildings and improvements | 5,757,291 | 6,370,753 | (613,462) |
| Vehicles, equipment, and furniture | 85,838 | 110,000 | (24,162) |
| Machinery and equipment | 194,267 | 140,026 | 54,241 |
| Infrastructure | 6,773,016 | 7,758,048 | (985,032) |
| Total Capital Assets | \$ 17,410,597 | \$ 18,483,937 | \$ (1,073,340) |

**CITY OF SOUTH EL MONTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Long-Term Debt

At end of the current fiscal year, the City had total long-term debt outstanding of \$2,283,632.

| | Governmental Activities | | |
|------------------------------------|--------------------------------|---------------------|---------------------|
| | 2020 | 2019 | Net Change |
| LONG-TERM LIABILITIES | | | |
| Notes payable | \$ 1,990,770 | \$ 2,104,908 | (114,138) |
| Capital leases | 34,106 | 99,823 | (65,717) |
| Compensated absences | 258,756 | 223,496 | 35,260 |
| Total Long-term Liabilities | \$ 2,283,632 | \$ 2,428,227 | \$ (144,595) |

The City's long-term debt decreased by \$144,595 during the current fiscal year. This decrease was mainly due to schedule note and capital lease payments.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City serve a diverse industrial, commercial, and residential customer base. At June 30, 2020, the average unemployment rate of the City was 19.5%, which was higher than the State's average of 15.1%, and higher than the National average of 11.1%.
- Inflationary trends in the region compare unfavorably to national indices.
- The occupancy rate of the City for fiscal year 2020 was estimated to be 95.6%.

The above factors were considered in preparing the City's budget for the 2020-21 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 1415 Santa Anita Avenue, South El Monte, CA 91733.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH EL MONTE
STATEMENT OF NET POSITION
JUNE 30, 2020

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 12,305,247 |
| Restricted cash | 1,667,325 |
| Receivables: | |
| Taxes receivable | 1,527,436 |
| Due from other governments | 271,255 |
| Accounts receivable | 115,778 |
| Loans receivable (net) | 6,552,858 |
| Prepays | 13,500 |
| Advances from other funds | 61,578 |
| Capital assets: | |
| Non-depreciable assets | 4,600,185 |
| Depreciable assets, net of accumulated depreciation | 12,810,412 |
| Total Assets | <u>39,925,574</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 1,851,687 |
| Deferred outflows related to OPEB | 155,296 |
| Total Deferred Outflows of Resources | <u>2,006,983</u> |
| LIABILITIES | |
| Accounts payable | 2,218,677 |
| Accrued wages and benefits | 79,133 |
| Unearned revenue | 35,000 |
| Long-term liabilities: | |
| Due within one year | 343,511 |
| Due in more than one year | 1,940,121 |
| Net pension liability | 8,238,409 |
| Net OPEB liability | 1,616,518 |
| Total Liabilities | <u>14,471,369</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 726,814 |
| Deferred inflows related to OPEB | 265,497 |
| Total Deferred Inflows of Resources | <u>992,311</u> |
| NET POSITION | |
| Net investment in capital assets | 15,385,721 |
| Restricted: | |
| Transportation | 3,701,745 |
| Public education | 94,927 |
| Community development | 214,556 |
| Sewer projects | 2,662,053 |
| Housing programs | 7,090,129 |
| Capital projects | 893,065 |
| Unrestricted | (3,573,319) |
| Total Net Position | <u>\$ 26,468,877</u> |

See accompanying Notes to the Basic Financial Statements

CITY OF SOUTH EL MONTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 6,345,062 | \$ 849,889 | \$ 214,890 | \$ - | \$ (5,280,283) |
| Public safety | 5,530,803 | 983,513 | 391,675 | - | (4,155,615) |
| Community development | 1,674,360 | 299,143 | - | - | (1,375,217) |
| Public works | 3,273,015 | 773,480 | 356,699 | 1,477,437 | (665,399) |
| Community service programs | 3,299,829 | 341,151 | 663,056 | 113,417 | (2,182,205) |
| Interest on long-term debt | 31,503 | - | - | - | (31,503) |
| Total | \$ 20,154,572 | \$ 3,247,176 | \$ 1,626,320 | \$ 1,590,854 | (13,690,222) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 1,696,431 |
| Transient occupancy taxes | | | | | 236,442 |
| Franchise taxes | | | | | 973,919 |
| Sales taxes | | | | | 7,343,638 |
| Motor vehicle in lieu tax | | | | | 2,638,576 |
| Investment earnings | | | | | 140,950 |
| Other | | | | | 503,180 |
| Total general revenues | | | | | 13,533,136 |
| Change in net position | | | | | (157,086) |
| Net position - beginning | | | | | 26,625,963 |
| Net position - ending | | | | | \$ 26,468,877 |

See accompanying Notes to the Basic Financial Statements

CITY OF SOUTH EL MONTE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Gas Tax Fund | HSIP Fund | Prop A Fund | Sewer Assessment Fund | Housing Successor Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|------------------|---------------------|-----------------------|------------------------|------------------------------|--------------------------|
| ASSETS | | | | | | | | |
| Cash and investments | \$ 3,459,520 | \$ 839,708 | \$ - | \$ 1,285,365 | \$ 2,736,101 | \$ 86,954 | \$ 3,897,599 | \$ 12,305,247 |
| Restricted cash | 1,667,325 | - | - | - | - | - | - | 1,667,325 |
| Receivables | | | | | | | | |
| Taxes | 1,527,436 | - | - | - | - | - | - | 1,527,436 |
| Intergovernmental | - | - | - | - | - | - | 271,255 | 271,255 |
| Loans | - | - | - | - | - | 4,571,270 | 1,981,588 | 6,552,858 |
| Accounts | - | - | - | - | 7,084 | 108,488 | 206 | 115,778 |
| Advances to other funds | 2,026,581 | - | - | - | - | 31,971 | 946,236 | 3,004,788 |
| Prepays | 13,500 | - | - | - | - | - | - | 13,500 |
| Total Assets | \$ 8,694,362 | \$ 839,708 | \$ - | \$ 1,285,365 | \$ 2,743,185 | \$ 4,798,683 | \$ 7,096,884 | \$ 25,458,187 |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 1,943,368 | \$ - | \$ 66,557 | \$ 8,325 | \$ - | \$ - | \$ 200,427 | \$ 2,218,677 |
| Accrued wages and benefits | 36,688 | 3,774 | - | 10,793 | 2,671 | - | 25,207 | 79,133 |
| Advances from other funds | 315,039 | 609,525 | 584,315 | 605,184 | 78,461 | - | 750,686 | 2,943,210 |
| Unearned revenue | - | - | - | - | - | - | 35,000 | 35,000 |
| Total Liabilities | 2,295,095 | 613,299 | 650,872 | 624,302 | 81,132 | - | 1,011,320 | 5,276,020 |
| FUND BALANCES | | | | | | | | |
| Nonspendable | 13,500 | - | - | - | - | - | - | 13,500 |
| Restricted | - | 226,409 | - | 661,063 | 2,662,053 | 4,798,683 | 6,332,205 | 14,680,413 |
| Unassigned | 6,385,767 | - | (650,872) | - | - | - | (246,641) | 5,488,254 |
| Total Fund Balances | 6,399,267 | 226,409 | (650,872) | 661,063 | 2,662,053 | 4,798,683 | 6,085,564 | 20,182,167 |
| Total Liabilities and Fund Balances | \$ 8,694,362 | \$ 839,708 | \$ - | \$ 1,285,365 | \$ 2,743,185 | \$ 4,798,683 | \$ 7,096,884 | \$ 25,458,187 |

See accompanying Notes to the Basic Financial Statements

**CITY OF SOUTH EL MONTE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds \$ 20,182,167

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

| | | |
|--------------------------|---------------------|------------|
| Capital assets | \$ 40,735,179 | |
| Accumulated depreciation | <u>(23,324,582)</u> | 17,410,597 |

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

| | | |
|-----------------------|------------------|--------------|
| Net pension liability | \$ (8,238,409) | |
| Net OPEB liability | (1,616,518) | |
| Notes payable | (1,990,770) | |
| Capital leases | (34,106) | |
| Compensated absences | <u>(258,756)</u> | (12,138,559) |

Deferred outflows and inflows of resources relating to pensions/OPEB:

In governmental funds, deferred outflows and inflows of resources relating to pensions/OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions/OPEB are reported:

| | | |
|--|------------------|-----------|
| Deferred outflows of resources relating to pensions: | \$ 1,851,687 | |
| Deferred inflows of resources relating to pensions: | (726,814) | |
| Deferred outflows of resources relating to OPEB: | 155,296 | |
| Deferred inflows of resources relating to OPEB: | <u>(265,497)</u> | 1,014,672 |

Total Net Position - Governmental Activities \$ 26,468,877

CITY OF SOUTH EL MONTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | General Fund | Gas Tax Fund | HSIP Fund | Prop A Fund | Sewer Assessment Fund | Housing Successor Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------|-------------------|-----------------------|------------------------|------------------------------|--------------------------|
| REVENUES | | | | | | | | |
| Property taxes | \$ 12,888,142 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 864 | \$ 12,889,006 |
| Intergovernmental | 280,113 | 463,993 | - | 405,179 | - | - | 2,067,889 | 3,217,174 |
| Charges for services | 306,972 | - | - | 2,634 | - | - | 25,216 | 334,822 |
| Licenses and permits | 2,326,397 | - | - | - | - | - | - | 2,326,397 |
| Fines and forfeitures | 201,387 | - | - | - | - | - | - | 201,387 |
| Special assessment | - | - | - | - | 384,570 | - | - | 384,570 |
| Interest earnings | 47,435 | - | - | 8,857 | 34,491 | 1,696 | 48,471 | 140,950 |
| Other revenues | 484,124 | - | - | - | - | - | 19,056 | 503,180 |
| Total Revenues | 16,534,570 | 463,993 | - | 416,670 | 419,061 | 1,696 | 2,161,496 | 19,997,486 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 4,716,178 | - | - | - | - | - | - | 4,716,178 |
| Public Safety | 5,457,712 | - | - | - | - | - | 62,635 | 5,520,347 |
| Community development | 1,660,005 | - | - | - | - | - | 4,019 | 1,664,024 |
| Public works/utilities | 2,158,144 | 3,313 | - | - | 52,205 | - | 68,710 | 2,282,372 |
| Community service programs | 1,893,119 | - | - | 330,611 | - | - | 452,963 | 2,676,693 |
| Debt service: | | | | | | | | |
| Principal | 179,855 | - | - | - | - | - | - | 179,855 |
| Interest and fiscal charges | 31,503 | - | - | - | - | - | - | 31,503 |
| Capital outlay | - | - | 329,613 | - | - | - | 391,191 | 720,804 |
| Total Expenditures | 16,096,516 | 3,313 | 329,613 | 330,611 | 52,205 | - | 979,518 | 17,791,776 |
| Excess (Deficiency) of Revenues | | | | | | | | |
| Over Expenditures | 438,054 | 460,680 | (329,613) | 86,059 | 366,856 | 1,696 | 1,181,978 | 2,205,710 |
| Fund Balance - Beginning | 5,961,213 | (234,271) | (321,259) | 575,004 | 2,295,197 | 4,796,987 | 4,903,586 | 17,976,457 |
| Fund Balance - Ending | \$ 6,399,267 | \$ 226,409 | \$ (650,872) | \$ 661,063 | \$ 2,662,053 | \$ 4,798,683 | \$ 6,085,564 | \$ 20,182,167 |

See accompanying Notes to the Basic Financial Statements

**CITY OF SOUTH EL MONTE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 2,205,710

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

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense.

| | | |
|----------------------------------|--------------------|-------------|
| Expenditures for capital outlay: | \$ 662,345 | |
| Depreciation expense: | <u>(1,735,685)</u> | (1,073,340) |

Governmental funds report pension/OPEB contributions as expenditures when made. However, in the statement of activities, pension/OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions/OPEB.

| | |
|-----------------------|-------------|
| Pension contributions | 776,018 |
| Pension expense | (2,121,154) |
| OPEB contributions | 49,001 |
| OPEB expense | (137,916) |

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.

| | |
|------------------------------------|---------|
| Principal payment on notes payable | 114,138 |
| Principal payment on capital lease | 65,717 |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

| | |
|--|----------------------------|
| Net decrease(increase) in compensated absences | (35,260) |
| Change in Net Position of Governmental Activities | <u><u>\$ (157,086)</u></u> |

CITY OF SOUTH EL MONTE
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2020

| | <u>Successor Agency Private-purpose Trust Fund</u> |
|---|--|
| ASSETS | |
| Cash and investments | \$ 1,929,054 |
| Cash with fiscal agent | 2,397,342 |
| Total Assets | <u>4,326,396</u> |
| LIABILITIES | |
| Accrued wages and benefits | 7,104 |
| Interest payable | 377,420 |
| Advances to other funds | 61,578 |
| Long-term liabilities: | |
| Due within one year | 1,310,000 |
| Due in more than one year | 24,501,174 |
| Total Liabilities | <u>26,257,276</u> |
| NET POSITION | |
| Net position held in trust for successor agency | <u>\$ (21,930,880)</u> |

CITY OF SOUTH EL MONTE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

| | <u>Successor Agency Private-purpose Trust Fund</u> |
|---|--|
| ADDITIONS | |
| Property tax revenue | \$ 2,500,380 |
| Interest earnings | 31,850 |
| Miscellaneous revenue | 750 |
| Total Additions | <u>2,532,980</u> |
| DEDUCTIONS | |
| Administrative expenses | 362,100 |
| Interest and fiscal charges | 1,005,021 |
| Total Deductions | <u>1,367,121</u> |
| CHANGE IN NET POSITION | 1,165,859 |
| NET POSITION - BEGINNING OF YEAR | <u>(23,096,739)</u> |
| NET POSITION - END OF YEAR | <u>\$ (21,930,880)</u> |

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The reporting entity "City of South El Monte" includes all the accounts of the City. The City was incorporated on July 30, 1958 as a general law city and operates under a Council/Manager form of government. Currently, there are no components required to be reported.

Basis of Presentation

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

Governmental Fund Types:

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

Fiduciary Fund Types:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements (Continued)

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

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

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

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

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

Governmental Fund Financial Statements

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

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

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Financial Statements (Continued)

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

Fiduciary Funds

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

Fund Classifications

The City reports the following major governmental funds:

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

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

The **HSIP Fund** is used to account for the activity of highway construction. The Fixing America's Surface Transportation Act (FAST) was signed into law on December 4, 2015. Under FAST, the Highway Safety Improvement Program (HSIP), codified as Section 148 of Title 23, United States Code (23 U.S.C §148), which is a core federal-aid program to States for the purpose of achieving a significant reduction in fatalities and serious injuries on all public roads. The Division of Local Assistance (DLA) manages California's local agency share of HSIP funds. California's Local HSIP focuses on infrastructure projects with nationally recognized crash reduction factors (CRFs).

The **Prop A Fund** is used to account for the activity of Proposition A revenues and expenditures. Proposition A revenues represent the City's portion of a special Los Angeles County ½ cent Sales Tax passed by the voters in 1980. Cities are entitled to 25% of all the ½ cent revenues. Distribution to each city is pro-rated based on each city's population. These revenues are restricted to fund transportation related activities and projects that benefit and support local transit services.

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Property Taxes

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

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

Cash and Investments

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

Capital Assets

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

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

| <u>Asset Class</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and Improvement | 15-50 years |
| Vehicles, computers and equipment | 3-10 years |
| Infrastructure: | |
| Roadway networks | 10-100 years |
| Storm drain network | 30-100 years |
| Parks and recreation network | 25 years |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Claims and Judgments

The City's self-insurance program is administered through the California Joint Powers Insurance Authority (CJPIA), which is described in Note 11. The CJPIA is a public entity risk pool. Claim losses recorded in the CJPIA include both current claims and incurred but not reported claims (IBNR). Deposits to the CJPIA are recorded by the City as insurance expenditures in the General Fund when paid. Favorable claims experience results in a refund of deposits from the CJPIA and such refunds, if any, are recorded as a reduction of insurance expenditures in the year received. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

Deferred Outflows/Inflows of Resources

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

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

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

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

Net Position

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

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

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

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

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

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

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

Committed Fund Balance - Amounts that may be specified by a City Council ordinance or resolution to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Councils' action utilizing the same type of action that was originally used. The City did not report any committed fund balances during the current year.

Assigned Fund Balance - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes but are neither restricted nor committed. The City did not report any assigned fund balances during the current year.

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

The City reported fund balances as noted below:

| | General Fund | Gas Tax Fund | HSIP Fund | Prop A Fund | Sewer Assessment Fund | Housing Successor Fund | Non-Major Governmental Funds | Total Governmental Funds |
|-----------------------|--------------|--------------|--------------|-------------|-----------------------|------------------------|------------------------------|--------------------------|
| Nonspendable | | | | | | | | |
| Prepays | \$ 13,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,500 |
| Restricted | | | | | | | | |
| Transportation | - | 226,409 | - | 661,063 | - | - | 2,814,273 | 3,701,745 |
| Community development | - | - | - | - | - | - | 214,556 | 214,556 |
| PEG | - | - | - | - | - | - | 94,927 | 94,927 |
| Sewer projects | - | - | - | - | 2,662,053 | - | - | 2,662,053 |
| Housing programs | - | - | - | - | - | 4,798,683 | 2,291,446 | 7,090,129 |
| Capital projects | - | - | - | - | - | - | 893,065 | 893,065 |
| Total restricted | - | 226,409 | - | 661,063 | 2,662,053 | 4,798,683 | 6,308,267 | 14,656,475 |
| Unassigned | 6,385,767 | - | (650,872) | - | - | - | (222,703) | 5,512,192 |
| Total | \$ 6,399,267 | \$ 226,409 | \$ (650,872) | \$ 661,063 | \$ 2,662,053 | \$ 4,798,683 | \$ 6,085,564 | \$ 20,182,167 |

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Use of Estimates

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

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET CAPACITY

The following City funds exceeded the respective budgeted amounts in total as follows:

| | Expenditures and Other Uses | | |
|-------------------------------------|------------------------------------|---------------|---------------|
| | Budget | Actual | Excess |
| General Fund | | | |
| Administration | \$ 4,616,500 | \$ 4,716,178 | \$ 99,678 |
| Community development | 1,234,783 | 1,660,005 | 425,222 |
| Community services | 1,695,704 | 1,893,119 | 197,415 |
| Debt service | - | 211,358 | 211,358 |
| Nonmajor Governmental Funds | | | |
| Older American Fund | 331,843 | 376,510 | 44,667 |
| COPS Grant Fund | - | 62,635 | 62,635 |
| Used Oil Recycling Block Grant Fund | 4,991 | 7,263 | 2,272 |

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 are reported as follows:

| | |
|---------------------------------|----------------------|
| Deposits: | |
| Cash on hand | \$ 2,250 |
| Cash in bank | 10,589,643 |
| Cash with fiscal agent | 2,397,342 |
| Investments: | |
| Deposit in LAIF | 5,309,733 |
| Total deposits and investments | <u>18,298,968</u> |
| Less: fiduciary funds | <u>(4,326,396)</u> |
| Total cash and cash equivalents | <u>\$ 13,972,572</u> |

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the City's Investment Policy

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

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

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. These provisions do not specify limitation on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All the City's investments are in investments with maturities 12 months or less.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in LAIF funds are not required to be rated. Investments held as cash with fiscal agents are in money market funds with a rating of at least AAA.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2020, there were no investments in any one issuer that represent five percent or more of the City's total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2020, none of the City's deposits with financial institutions in excess of the federal depository insurance limits were held in uncollateralized accounts.

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

Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

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

NOTE 4 - INTERFUND TRANSACTIONS

Advance To/From Balances

Interfund loans occurs in the normal course of business as the General Fund serves as the primary operating fund of the City, such as making payroll and issuing checks, which are subsequently reimbursed by one another in the normal course of business.

| Fund | Net Advances to(from) |
|---|--------------------------|
| Major Governmental Funds | |
| General Fund | \$ 1,711,542 |
| Gas Tax Fund | (609,525) |
| HSIP Fund | (584,315) |
| Prop A Fund | (605,184) |
| Sewer Assessment Fund | (78,461) |
| Housing Successor Fund | 31,971 |
| Non-major Governmental Funds | |
| Older Americans Act Fund | (165,844) |
| RMRA Fund | (17,476) |
| Rosemead Maintenance District | 184 |
| Hayward Maintenance District | 639 |
| Air Quality District | 15,124 |
| Cable Peg Fund | 2,354 |
| Quimby in Lieu Fees | 3,625 |
| Miscellaneous Grant Funds | (25,616) |
| State Cops Grant Fund | (44,246) |
| Used Oil Recycling Grant Fund | (5,642) |
| Beverage Container Recycling Fund | 998 |
| Measure M Local | (12,561) |
| Prop C | (5,609) |
| CDBG Fund | (82,830) |
| Prop A Park Grant | (5,005) |
| Trans. Development Act Fund | 23,938 |
| Measure R Local | (250,113) |
| State Deferred Grant | 377 |
| CalHOME Grant | 576 |
| Capital Improvement Fund | 869,843 |
| Miscellaneous State Grants | (89,612) |
| Miscellaneous Federal Grants | (17,554) |
| Fiduciary Funds | |
| Successor Agency Private-purpose Trust Fund | (61,578) |

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - DOWN PAYMENT ASSISTANCE AND HOME REHABILITATION GRANTS

The former South El Monte Business Improvement City (City) operated First-Time Homebuyer and Home Rehabilitation Programs that provided silent second down payment or home rehabilitation assistance grants to residents who meet certain qualifications for the purpose of providing assistance to low-moderate income households. The grants are secured by a deed of trust and no monthly payments are required. At the end of the term, which ranges from 10 to 20 years, the grants are forgiven unless the following occurs during the grant term; 1) property is sold or transferred, 2) property is no longer owner-occupied, or 3) property is refinanced at which time full repayment would be required. The purpose of the grants is to provide low-moderate income households with homeownership or home rehabilitation assistance with no intent of recovering the grant. The receivables related to these grants are in the Housing Successor special revenue fund. The balance of the loan's receivable at June 30, 2020 was \$211,270, which includes gross receivables of \$1,408,468 and an allowance for uncollectible accounts of \$1,197,198.

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

NOTE 6 - OWNER PARTICIPATION AGREEMENTS

In December 2017, the City sold land to a developer with a cost of \$6,515,875 in exchange for a note in the amount of \$4,360,000 resulting in a loss on sale of property in the amount of \$2,155,875 reported in the Housing Successor Special Revenue Fund. The land sold was originally purchased by the former South El Monte Business City and was transferred to the Housing Successor when the City when took over the housing functions of the former City under AB x1 26. The note is subject to a regulatory agreement and a disposition and development agreement dated April 8, 2014 and amended October 24, 2017. The payment on the note is accelerated and due to the City if the developer is in default of the regulatory agreement, however one twelfth of the principal amount is forgiven upon the sale of each of the twelve assisted units provided that no default, as defined in the regulatory agreement, by the developer occurs. The receivable related to this loan is in the Housing Successor special revenue fund and the balance at June 30, 2020 was \$4,360,000.

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020 is as follows:

| | Balance July 01, 2019 | Additions | Deductions | Balance June 30, 2020 |
|--|--------------------------|--------------|--------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 3,126,512 | \$ - | \$ - | \$ 3,126,512 |
| Construction in progress | 978,598 | 694,431 | (199,356) | 1,473,673 |
| Total Capital Assets not Being Depreciated | 4,105,110 | 694,431 | (199,356) | 4,600,185 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 17,179,138 | 42,311 | - | 17,221,449 |
| Vehicles, equipment, and furniture | 1,785,943 | 26,318 | - | 1,812,261 |
| Machinery and equipment | 833,684 | 98,641 | - | 932,325 |
| Infrastructure | 16,168,959 | - | - | 16,168,959 |
| Total Capital Assets Being Depreciated | 35,967,724 | 167,270 | - | 36,134,994 |
| Less Accumulated Depreciation | | | | |
| Buildings and improvements | (10,808,385) | (655,773) | - | (11,464,158) |
| Vehicles | (1,675,943) | (50,480) | - | (1,726,423) |
| Machinery and equipment | (693,658) | (44,400) | - | (738,058) |
| Infrastructure | (8,410,911) | (985,032) | - | (9,395,943) |
| Total Accumulated Depreciation | (21,588,897) | (1,735,685) | - | (23,324,582) |
| Total Capital assets, being depreciated, net | 14,378,827 | (1,568,415) | - | 12,810,412 |
| Governmental Activities Capital Assets, Net | \$ 18,483,937 | \$ (873,984) | \$ (199,356) | \$ 17,410,597 |

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

| | |
|----------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 101,112 |
| Public safety | 10,456 |
| Public works | 990,643 |
| Community development | 10,336 |
| Community services | 526,779 |
| Recreation | 96,359 |
| Total depreciation expense | <u>\$ 1,735,685</u> |

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2020 is as follows:

| | Balance July 01, 2019 | Additions | Deductions | Balance June 30, 2020 | Due Within One Year |
|---------------------------------|--------------------------|-----------|--------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| Loans payable | \$ 2,104,908 | \$ - | \$ (114,138) | \$ 1,990,770 | \$ 115,338 |
| Capital leases | 99,823 | - | (65,717) | 34,106 | 34,106 |
| Compensated absences | 223,496 | 35,260 | - | 258,756 | 194,067 |
| Total | \$ 2,428,227 | \$ 35,260 | \$ (179,855) | \$ 2,283,632 | \$ 343,511 |

Compensated Absences

Compensated absences will be paid in future years from future resources primarily from the General Fund. As of June 30, 2020, the outstanding balance was \$258,756.

Capital Lease - Energy Retrofit

As part of the Los Angeles County's Energy Conservation Measures, the City started its facility modernization project in 2005 by contracting for a turnkey energy retrofit of its City Hall, Pool Facility, Community Center, Senior Center, Mini Center, and Maintenance Building. Total amount financed of \$752,786 includes \$12,939 of capitalized interest. Cost of \$739,848 is accounted for in buildings and improvements and is fully depreciated as of June 30, 2020. The lease payments are amortized over 15 years. The annual payment requirements are as follows:

| | |
|---|----------------------------|
| Year ending June 30: 2021 | Governmental Activities |
| | \$ 34,604 |
| Total minimum lease payments | 34,604 |
| Less: amount representing interest | (498) |
| Present value of net minimum capital lease payments | \$ 34,106 |

ERCDC Loan Payable

The City entered into a loan agreement with the Energy Resources Conservation and Development Commission (ERCDC) to install solar photovoltaic systems on City owned facilities for up to \$2,307,104. The amount of the loan will be based on eligible project costs and issued on a reimbursement basis. The loan matures over 20 years with an interest rate of 1.00%. As of June 30, 2020, the City has received all the loan proceeds and will repay the loan from the General Fund. The project is estimated to save the City approximately \$135,000 in annual electricity costs.

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

ERCDC Loan Payable (Continued)

The annual payment requirements are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 115,338 | \$ 19,621 | \$ 134,959 |
| 2022 | 116,494 | 18,464 | 134,958 |
| 2023 | 117,662 | 17,297 | 134,959 |
| 2024 | 118,798 | 16,161 | 134,959 |
| 2025 | 120,033 | 14,926 | 134,959 |
| 2026-2030 | 618,426 | 56,369 | 674,795 |
| 2031-2035 | 650,067 | 24,728 | 674,795 |
| 2036 | 133,952 | 1,007 | 134,959 |
| Totals | <u>\$ 1,990,770</u> | <u>\$ 168,573</u> | <u>\$ 2,159,343</u> |

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Plan Description

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

Benefits Provided

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

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Benefits Provided

The Plans' provisions and benefits as of measurement date June 30, 2019, are summarized as follows

| | Miscellaneous | | |
|--|---------------------------------------|---|--|
| | Tier I Prior to January 1, 2013 | Tier II On or After January 1, 2013 | Tier III - PEPRA On or After January 1, 2013 |
| Hire date | | | |
| Benefit formula | 2.5%@55 | 2.0%@60 | 2.0%@62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 63 | 52 - 67 |
| Month benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.092% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 6.25% |
| Required employer contribution rates: | | | |
| Normal cost rate | 10.069% | 7.612% | 6.555% |
| Payment of unfunded liability | \$284,027 | \$0 | \$31 |

Contributions

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

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

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of all Plans of \$8,238,409. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was .1951% and .1968% respectively. This accounted for an increase of .0017% from the previous year.

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2020, the City recognized pension expense of \$2,121,154. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on plan investments | \$ - | \$ 144,033 |
| Differences between expected and actual experience | 572,192 | 44,333 |
| Changes in assumptions | 392,845 | 139,260 |
| Net changes in proportionate share of net pension liability | 110,632 | 399,188 |
| City contributions subsequent to the measurement date | 776,018 | - |
| Total | \$ 1,851,687 | \$ 726,814 |

\$776,018 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2021 | \$ 445,240 |
| 2022 | (170,794) |
| 2023 | 45,302 |
| 2024 | 29,107 |
| 2025 | - |
| Thereafter | - |
| | \$ 348,855 |

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2017 actuarial accounting valuation. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

| | Miscellaneous |
|------------------------|------------------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | (1) |
| Mortality Rate Table | (2) |

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale MP•2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

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

Discount Rate

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

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS (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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

| Asset Class* | Assumed Asset Allocation | Real Return Years 1 - 10* | Real Return Years 11+** |
|-------------------------------|--------------------------|---------------------------|-------------------------|
| Global Equity | 47% | 4.90% | 5.38% |
| Global Fixed Income | 19% | 0.80% | 2.27% |
| Inflation Sensitive | 6% | 0.60% | 1.39% |
| Private Equity | 12% | 6.60% | 6.63% |
| Real Estate | 11% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3% | 3.90% | 5.36% |
| Liquidity | 2% | -0.40% | -0.90% |
| | 100% | | |

* In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.00% used for this period

***An expected inflation of 2.92% used for this period

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

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

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|------------------------------|------------------------|----------------------------------|------------------------|
| Plan's net pension liability | \$ 12,312,126 | \$ 8,238,409 | \$ 4,875,843 |

**CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the City reported no payables due to the pension plan, for outstanding contributions required for the year ended June 30, 2020.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

Plan Description and Benefits Provided

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

Employees Covered

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms of the DPHP:

| | Number of Participants |
|---|---------------------------|
| Inactive Employees Receiving Benefits | 14 |
| Inactive Employees Entitled to but not yet Receiving Benefits | - |
| Active Employees | 56 |
| | <u>70</u> |

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. Currently, contributions are not required from plan members. Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying for retiree benefits as they are due with no pre-funding for future years. For fiscal year ended June 30, 2020, the City's made payments of \$15,986 for retiree health insurance premiums and the estimated implied subsidy credit was \$43,380, resulting in total contributions of \$56,366. The liability for governmental activities is primarily liquidated from the general fund.

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2019 |
| Actuarial cost methods | Entry-age actuarial cost method |
| Inflation rate | 2.50% |
| Discount rate | 3.13% |
| Salary increase | 2.75% |
| Healthcare cost trend rates | 7.00% in the first year, trending down to 3.84% over 56 years. |
| Mortality | Derived from the CalPERS tables |

The actuarial assumptions used in the June 30, 2019 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The discount rate was based on a high quality 20-year tax-exempt general obligation municipal bonds index rate.

The discount rate utilized in the June 30, 2019 valuation, which was based on the requirements of GASB 45, was 3.13% as compared to the June 30, 2018 valuation, which was based on the requirements of GASB 75, discount rate of 3.62%. The discount rate was changed to reflect the change in the municipal bond index.

The changes in the total OPEB liability are as follows:

| | Increase/(Decrease) | | |
|--|-------------------------|---------------------------------|-----------------------|
| | Total OPEB Liability | Total Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a) - (b) |
| Balance July 1, 2019 | \$ 1,812,356 | \$ - | \$ 1,812,356 |
| Changes for the year: | | | |
| Service cost | 70,946 | - | 70,946 |
| Interest | 67,155 | - | 67,155 |
| Employer contributions | - | 15,986 | (15,986) |
| Difference between expected and actual experience | (290,662) | - | (290,662) |
| Assumption changes | 13,089 | - | 13,089 |
| Expected benefit payments | (15,986) | (15,986) | - |
| Implicit subsidy credit | (40,380) | - | (40,380) |
| Net change | (195,838) | - | (195,838) |
| Balance June 30, 2020 | \$ 1,616,518 | \$ - | \$ 1,616,518 |

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Change of Assumptions - There were no changes of assumptions.

Change of Benefit Terms - There were no changes of benefit terms.

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

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

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

| | Discount Rate 1% Lower (2.13%) | Discount Rate Rate (3.13%) | Discount Rate 1% Higher (4.13%) |
|--------------------|---|-------------------------------------|--|
| Net OPEB liability | \$ 1,868,718 | \$ 1,616,518 | \$ 1,410,938 |

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

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

| | Trend Rate 1% Lower (6.00% decreasing to 2.84%) | Healthcare Cost Trend Rate (7.00% decreasing to 3.84%) | Trend Rate 1% Higher (8.00% decreasing to 4.84%) |
|--------------------|---|--|--|
| Net OPEB liability | \$ 1,354,147 | \$ 1,616,518 | \$ 1,951,995 |

For the year ended June 30, 2020, the City recognized OPEB expense of \$137,916. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources: \$155,296 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Deferred inflows of resources of \$265,497 were also reported.

NOTE 12 - INSURANCE

Description of Participation in the California Joint Powers Insurance Authority

The City of South El Monte is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

NOTE 11 - INSURANCE (CONTINUED)

Self-Insurance Programs of the Authority

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

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

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

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

For 2018-19 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance

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

**CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 - INSURANCE (CONTINUED)

Purchase Insurance (Continued)

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

Earthquake and Flood Insurance - The City of South El Monte purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of South El Monte property currently has earthquake protection in the amount of \$13,716,006. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

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

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2019-20.

NOTE 12 - CONTINGENCIES AND COMMITMENTS

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

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

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT CITY DISCLOSURES

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

Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2020 were as follows:

| | Balance July 01, 2019 | Additions | Deductions | Balance June 30, 2020 | Due Within One Year |
|-----------------------------|--------------------------|---------------------|-----------------------|--------------------------|------------------------|
| Fiduciary Activities | | | | | |
| 2007 Series A | \$ 6,015,000 | \$ - | \$ (6,015,000) | \$ - | \$ - |
| 2007 Series A Discount | (30,526) | - | 30,526 | - | - |
| 2014 Series A | 6,950,000 | - | - | 6,950,000 | - |
| 2014 Series A Discount | (119,841) | - | 7,455 | (112,386) | - |
| 2015 Series A | 8,900,000 | - | (50,000) | 8,850,000 | 45,000 |
| 2015 Series A Premium | 228,457 | - | (10,000) | 218,457 | - |
| 2015 Series B | 4,990,000 | - | (560,000) | 4,430,000 | 575,000 |
| 2015 Series B Discount | (39,964) | - | 5,713 | (34,251) | - |
| 2019 Refunding | - | 5,535,000 | - | 5,535,000 | 690,000 |
| 2019 Deferred Amount | - | (29,393) | 3,747 | (25,646) | - |
| Total | \$ 26,893,126 | \$ 5,505,607 | \$ (6,587,559) | \$ 25,811,174 | \$ 1,310,000 |

2007 Tax Allocation Bonds

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

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

CITY OF SOUTH EL MONTE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT CITY DISCLOSURES (CONTINUED)

Long-term Liabilities (Continued)

2014A Tax Allocation Refunding Bonds

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

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

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|----------------------|
| 2021 | \$ - | \$ 265,488 | \$ 265,488 |
| 2022 | - | 265,488 | 265,488 |
| 2023 | - | 265,488 | 265,488 |
| 2024 | - | 265,488 | 265,488 |
| 2025 | - | 265,488 | 265,488 |
| 2026-2030 | 1,220,000 | 1,307,938 | 2,527,938 |
| 2031-2035 | 3,465,000 | 871,975 | 4,336,975 |
| 2036-2037 | 2,265,000 | 150,200 | 2,415,200 |
| | <u>\$ 6,950,000</u> | <u>\$ 3,657,553</u> | <u>\$ 10,607,553</u> |

2015 Tax Allocation Refunding Bonds, Series A and B

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

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

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT CITY DISCLOSURES
 (CONTINUED)

Long-term Liabilities (Continued)

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

| 2015A | | | |
|-------------------------|---------------------|---------------------|----------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2021 | \$ 45,000 | \$ 363,075 | \$ 408,075 |
| 2022 | 45,000 | 362,175 | 407,175 |
| 2023 | 45,000 | 361,219 | 406,219 |
| 2024 | 50,000 | 360,088 | 410,088 |
| 2025 | 50,000 | 358,806 | 408,806 |
| 2026-2030 | 2,635,000 | 1,658,531 | 4,293,531 |
| 2031-2035 | 4,865,000 | 881,444 | 5,746,444 |
| 2036 | 1,115,000 | 27,875 | 1,142,875 |
| | <u>\$ 8,850,000</u> | <u>\$ 4,373,213</u> | <u>\$ 13,223,213</u> |

| 2015B | | | |
|-------------------------|---------------------|-------------------|---------------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2021 | \$ 575,000 | \$ 146,472 | \$ 721,472 |
| 2022 | 595,000 | 130,000 | 725,000 |
| 2023 | 610,000 | 111,163 | 721,163 |
| 2024 | 625,000 | 90,313 | 715,313 |
| 2025 | 650,000 | 67,188 | 717,188 |
| 2026-2027 | 1,375,000 | 55,500 | 1,430,500 |
| | <u>\$ 4,430,000</u> | <u>\$ 600,636</u> | <u>\$ 5,030,636</u> |

2019 Subordinate Taxable Tax Allocation Refunding Bonds

On September 26, 2019, the Successor Agency to the South El Monte Improvement District issued \$5,535,000 in Subordinate Taxable Tax Allocation Refunding Bonds, Series 2019. The 2019 bonds were issued to refund all of the outstanding 2007 Tax Allocation Bonds, Series A. As a result, the 2007 Tax Allocation Bonds, Series A, are considered to be defeased and the liability has been removed from the statement of fiduciary net position. The 2007 bonds were issued to finance various projects for the redevelopment of the Merged Project Area.

The 2019 bonds are payable from and secured by tax revenues as defined in the bond indenture. Interest on the 2019 bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020. Principal payments are due on August 1 of each year, beginning with August 1, 2020.

CITY OF SOUTH EL MONTE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13 - SUCCESSOR AGENCY TO THE SOUTH EL MONTE BUSINESS IMPROVEMENT CITY DISCLOSURES
 (CONTINUED)

Long-term Liabilities (Continued)

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

| 2019 Refunding | | | |
|----------------|---------------------|-------------------|---------------------|
| Year Ending | Principal | Interest | Total |
| June 30, | | | |
| 2021 | \$ 690,000 | \$ 102,918 | \$ 792,918 |
| 2022 | 650,000 | 102,315 | 752,315 |
| 2023 | 665,000 | 88,670 | 753,670 |
| 2024 | 675,000 | 74,431 | 749,431 |
| 2025 | 690,000 | 59,585 | 749,585 |
| 2026-2028 | 2,165,000 | 80,278 | 2,245,278 |
| | <u>\$ 5,535,000</u> | <u>\$ 508,197</u> | <u>\$ 6,043,197</u> |

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MD&A

**CITY OF SOUTH EL MONTE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2020**

| CaIPERS | Reporting Fiscal Year | | | | | |
|---|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| City's proportion of the net pension liability | 0.197% | 0.195% | 0.196% | 0.197% | 0.066% | 0.059% |
| City's proportionate share of the net pension liability | \$ 8,238,409 | \$ 7,351,135 | \$ 7,727,031 | \$ 6,845,608 | \$ 5,562,668 | \$ 4,322,198 |
| City's covered - employee payroll | \$ 2,886,967 | \$ 2,308,132 | \$ 2,473,404 | \$ 2,560,239 | \$ 2,360,098 | \$ 2,082,997 |
| City's proportionate Share of the net pension liability as percentage of covered-employee payroll | 285% | 318% | 312% | 267% | 236% | 207% |
| Plan fiduciary net position as a percentage of the total pension liability | 73% | 71% | 72% | 75% | 77% | 81% |

| CaIPERS | Reporting Fiscal Year | | | | | |
|---|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 776,018 | \$ 750,843 | \$ 572,837 | \$ 511,152 | \$ 645,929 | \$ 518,289 |
| City's contributions in relation to the statutorily required contribution | 776,018 | 750,843 | 572,837 | 511,152 | 645,929 | 518,289 |
| City's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 3,920,664 | \$ 2,886,967 | \$ 2,308,132 | \$ 2,473,404 | \$ 2,560,239 | \$ 2,360,098 |
| City's contributions as a percentage of covered payroll | 19.79% | 26.01% | 24.82% | 20.67% | 25.23% | 21.96% |

Note: In the future, as data becomes available, ten years of information will be presented.

**CITY OF SOUTH EL MONTE
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2020**

| | Fiscal Year End | | |
|---|-----------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Total OPEB liability | | | |
| Service cost | \$ 70,946 | \$ 78,142 | \$ 75,958 |
| Interest | 67,155 | 58,076 | 54,928 |
| Difference between expected and actual experience | (290,662) | (7,307) | - |
| Assumption changes | 13,089 | 153,632 | - |
| Experience gains/losses | - | - | - |
| Benefit payments | (15,986) | (15,424) | (42,473) |
| Implicit subsidy credit | (40,380) | (31,390) | - |
| Net change in total OPEB liability | (195,838) | 235,729 | 88,413 |
| Total OPEB liability, beginning of year | 1,812,356 | 1,576,627 | 1,488,214 |
| Total OPEB liability, end of year (a) | \$ 1,616,518 | \$ 1,812,356 | \$ 1,576,627 |
| Plan fiduciary net position | | | |
| Service cost | \$ - | \$ - | \$ - |
| Interest on TOL | - | - | - |
| Employer contributions | 15,986 | 15,424 | 42,473 |
| Employee contributions | - | - | - |
| Assumption changes | - | - | - |
| Expected investment income | - | - | - |
| Investment gains/losses | - | - | - |
| Administrative expense | - | - | - |
| Expected benefit payments | (15,986) | (15,424) | (42,473) |
| Other | - | - | - |
| Change in plan fiduciary net position | - | - | - |
| Fiduciary trust net position, beginning of year | - | - | - |
| Fiduciary trust net position, end of year (b) | \$ - | \$ - | \$ - |
| Net OPEB liability (asset), ending (a) - (b) | \$ 1,616,518 | \$ 1,812,356 | \$ 1,576,627 |
| Covered payroll | \$ 1,992,079 | \$ 2,046,861 | \$ 1,992,079 |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 0% | 0% | 0% |
| Net OPEB asset as a percentage of covered payroll | 81% | 89% | 79% |

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|------------------------------------|---------------------|---------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 11,842,359 | \$ 12,888,142 | \$ 1,045,783 |
| Licenses and permits | 1,581,150 | 2,326,397 | 745,247 |
| Fines and forfeitures | 248,000 | 201,387 | (46,613) |
| Charges for services | 149,538 | 306,972 | 157,434 |
| Intergovernmental | 415,000 | 280,113 | (134,887) |
| Interest earnings | 60,000 | 47,435 | (12,565) |
| Other | 175,000 | 484,124 | 309,124 |
| Total Revenues | 14,471,047 | 16,534,570 | 2,063,523 |
| EXPENDITURES | | | |
| Administration: | | | |
| City council | 293,001 | 282,277 | 10,724 |
| City administration | 1,373,396 | 907,128 | 466,268 |
| Accounting | 579,591 | 687,428 | (107,837) |
| Business license | 38,500 | 40,660 | (2,160) |
| Information systems | 316,200 | 432,509 | (116,309) |
| City attorney | 335,000 | 616,688 | (281,688) |
| City prosecutor | 10,000 | - | 10,000 |
| Community promotion | 210,580 | 190,146 | 20,434 |
| Human resources | 651,526 | 768,517 | (116,991) |
| Risk management | 490,446 | 488,356 | 2,090 |
| City clerk | 315,760 | 281,119 | 34,641 |
| Elections | 2,500 | 5,100 | (2,600) |
| Public services | - | 16,250 | (16,250) |
| Total Administration | 4,616,500 | 4,716,178 | (99,678) |
| Public Safety | | | |
| Public safety center | 261,869 | 185,570 | 76,299 |
| Law enforcement | 5,544,947 | 5,209,419 | 335,528 |
| School safety | 51,500 | 62,723 | (11,223) |
| Total Public Safety | 5,858,316 | 5,457,712 | 400,604 |
| Community Development | | | |
| City engineering | 239,240 | 291,810 | (52,570) |
| Planning commission | 13,000 | 7,261 | 5,739 |
| Community development | 123,870 | 89,585 | 34,285 |
| Building and safety | 356,480 | 943,096 | (586,616) |
| Animal control | 113,000 | 114,807 | (1,807) |
| Environmental engineering | 151,800 | 115,136 | 36,664 |
| Waste management | 6,500 | 6,500 | - |
| Code enforcement | 230,893 | 91,810 | 139,083 |
| Total Community Development | \$ 1,234,783 | \$ 1,660,005 | \$ (425,222) |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|---------------------|---------------------|--------------------------------|
| Continued | | | |
| Public Works/Utilities | | | |
| City hall | \$ 160,010 | \$ 137,303 | \$ 22,707 |
| Maintenance/transportation yard | 50,900 | 41,638 | 9,262 |
| City - general utilities | 190,885 | 47,850 | 143,035 |
| Facility maintenance | 508,929 | 451,193 | 57,736 |
| Landscape maintenance | 510,752 | 626,819 | (116,067) |
| Street maintenance | 871,924 | 744,636 | 127,288 |
| Vehicle maintenance | 168,980 | 108,705 | 60,275 |
| Total Public works/utilities | <u>2,462,380</u> | <u>2,158,144</u> | <u>304,236</u> |
| Community Services Programs | | | |
| Community services commission | 12,600 | 5,260 | 7,340 |
| Patriotic commission | 7,300 | 2,200 | 5,100 |
| Emergency preparedness | 6,050 | 217,738 | (211,688) |
| Senior services | 128,106 | 149,105 | (20,999) |
| Extended daycare services | 1,000 | 37,111 | (36,111) |
| Parks and recreation | 991,410 | 830,908 | 160,502 |
| Youth sports | 33,900 | 26,844 | 7,056 |
| Boxing | 16,350 | 76,526 | (60,176) |
| Special events | 35,000 | 36,671 | (1,671) |
| Fourth of July | 57,538 | 80,481 | (22,943) |
| Concerts in the park | 15,500 | 15,055 | 445 |
| Christmas wish | 23,500 | 20,554 | 2,946 |
| Community center | 65,450 | 72,857 | (7,407) |
| Senior center | 59,700 | 77,877 | (18,177) |
| Mini center | 32,850 | 43,498 | (10,648) |
| Aquatics | 72,000 | 66,808 | 5,192 |
| New temple park | 81,200 | 67,808 | 13,392 |
| Shivley park | 30,000 | 40,012 | (10,012) |
| Mary Van Dyke park | 26,250 | 25,806 | 444 |
| Total Community services programs | <u>1,695,704</u> | <u>1,893,119</u> | <u>(197,415)</u> |
| Debt Service | | | |
| City general | - | 211,358 | (211,358) |
| Total Expenditures | <u>15,867,683</u> | <u>16,096,516</u> | <u>(246,308)</u> |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | <u>(1,396,636)</u> | <u>438,054</u> | <u>1,817,215</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 664,211 | - | 664,211 |
| Transfers out | (125,000) | - | (125,000) |
| Net Financing Sources (Uses) | <u>539,211</u> | <u>-</u> | <u>539,211</u> |
| NET CHANGE IN FUND BALANCE | <u>(857,425)</u> | <u>438,054</u> | <u>1,295,479</u> |
| Fund Balance - Beginning | <u>5,961,213</u> | <u>5,961,213</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 5,103,788</u> | <u>\$ 6,399,267</u> | <u>\$ 1,295,479</u> |

See accompanying Notes to Required Supplementary Information

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – GAS TAX FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|--------------|------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 549,118 | \$ 463,993 | \$ (85,125) |
| EXPENDITURES | | | |
| Current: | | | |
| Public works/utilities | 525,211 | 3,313 | 521,898 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | 23,907 | 460,680 | 436,773 |
| Fund Balance - Beginning | (234,271) | (234,271) | - |
| Fund Balance - Ending | \$ (210,364) | \$ 226,409 | \$ 436,773 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – PROP A FUND
YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-------------------|-------------------|--------------------------------|
| REVENUES | | | |
| Charges for services | \$ 6,500 | \$ 2,634 | \$ (3,866) |
| Intergovernmental | 422,811 | 405,179 | (17,632) |
| Interest earnings | 200 | 8,857 | 8,657 |
| Total Revenues | 429,511 | 416,670 | (12,841) |
| EXPENDITURES | | | |
| Community services programs: | | | |
| Paratransit | 302,976 | 231,260 | 71,716 |
| Special events | 18,792 | 16,040 | 2,752 |
| Administration | 44,430 | 19,777 | 24,653 |
| Bus shelter maintenance | 74,264 | 62,824 | 11,440 |
| Transportation facilities | - | 710 | (710) |
| Total Expenditures | 440,462 | 330,611 | 109,851 |
| Excess (Deficiency) of Revenues Over Expenditures | (10,951) | 86,059 | 97,010 |
| Fund Balance - Beginning | 575,004 | 575,004 | - |
| Fund Balance - Ending | \$ 564,053 | \$ 661,063 | \$ 97,010 |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – SEWER ASSESSMENT FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|---------------------|---------------------|--------------------------------|
| REVENUES | | | |
| Sewer Assessment Fees | \$ 390,000 | \$ 384,570 | \$ (5,430) |
| Interest earnings | - | 34,491 | 34,491 |
| Total Revenues | 390,000 | 419,061 | 29,061 |
| EXPENDITURES | | | |
| Current: | | | |
| Public works/utilities | 99,950 | 52,205 | 47,745 |
| Excess (Deficiency) of Revenues Over Expenditures | 290,050 | 366,856 | 76,806 |
| Fund Balance - Beginning | 2,295,197 | 2,295,197 | - |
| Fund Balance - Ending | \$ 2,585,247 | \$ 2,662,053 | \$ 76,806 |

**CITY OF SOUTH EL MONTE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – BUDGETARY POLICY AND CONTROL

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

The Budgetary comparison schedules are presented as Required Supplementary Information for the General Fund and major Special Revenue Funds as required by GASB Statement No. 34. However, the City did not budget for the HSIP Fund or the Housing Successor Special Revenue funds.

NOTE 2 – AVAILABILITY OF PRIOR YEAR PENSION INFORMATION

Information prior to the measurement date of June 30, 2015 was not available. GASB Statement No. 68 requires the District to present 10 years of pension information as required supplementary information. However, until a full 10 years of trend data is compiled, the District will present information for only those years for which information is available.

SUPPLEMENTARY INFORMATION
(UNAUDITED)

CITY OF SOUTH EL MONTE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

SPECIAL REVENUE FUNDS

Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes as listed below:

Gas Tax Fund – State Gas Taxes are derived from State of California taxes on gasoline purchases and are allocated on a share basis to cities. These revenues are restricted for use designated by the Streets and Highways Code sections (Section 2103, 2105, 2106, 2107, 2107.5, and etc.) and can only be used on public street construction, improvements, and/or maintenance.

Older American Act Fund – The Older Americans Act (OAA) Nutrition Programs, part of the Federal Administration on Aging within the Administration for Community Living, provide grants to States to help support nutrition services for older people throughout the country. The OAA Nutrition Programs include the Congregate Nutrition Program and the Home Delivered Nutrition Program. The purposes of these programs are to 1) reduce hunger and food insecurity, 2) promote socialization, 3) promote health and well-being, and 4) delay adverse health conditions. The intent is to make community based nutrition services available to older adults who may be at risk of losing their independence and their ability to remain in the community.

RMRA Fund – As a result of the Road Repair and Accountability Act of 2017, Senate Bill 1 (SB1), funds are derived from the taxes on gasoline and diesel fuel and registration taxes on motor vehicles with allocations from the State of California for local streets and roads and other transportation purposes.

Rosemead Maintenance District Fund – The Rosemead Maintenance District Fund was intended to provide for half of the Rosemead Maintenance District maintenance cost as an assessment on property tax bills and collected by the County.

Hayward Maintenance District – The Hayward Maintenance District Fund was intended to provide for the full cost of the Hayward Maintenance District maintenance cost as an assessment on property tax bills and collected by the County.

Air Quality Management District – The South Coast Air Quality Management District (AQMD) receives a small portion of the annual vehicle registration license fees. The AQMD remits a portion of these revenues to cities for selected anti-pollution/transportation projects.

Cable PEG Fund – Per Federal Communications Commission, pursuant to Section 611 of the Communications Act, local franchising authorities may require cable operators to set aside channels for public, educational, or governmental ("PEG") use. The Cable Franchise and Public, Education, and Government (PEG) Fees Fund exist to account for such activities.

Quimby In Lieu Fee Fund – The Quimby In Lieu Fees Fund account is for park development. Funds are collected from local developers in lieu of donation of land for local parks. The funds are restricted for park improvements and may not be used for park maintenance or operations.

Miscellaneous Grant Fund – The Miscellaneous Grant Fund was historically used to account for unusual and infrequent grants not tracked in any other special revenue funds.

State COPS Grant Fund – The State Community Oriented Policing Services (COPS) Fund account is for AB3999 funds for law enforcement.

CITY OF SOUTH EL MONTE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

SPECIAL REVENUE FUNDS (CONTINUED)

Used Oil Recycling Grant Fund – The State of California enacted the California Oil Recycling Act, which provides grants to cities and counties for establishing and maintaining local used oil collection, used oil filter collection and public outreach programs to encourage used motor oil and filter recycling by "Do it Yourself" oil changers. The California Integrated Waste Management Board (CIWMB) has been delegated the responsibility for the administration of the program by the State, setting up the necessary procedures for awarding Local Government Opportunity Grants to help local governments establish or enhance permanent, sustainable used oil and filters recycling programs.

Beverage Container Recycling Grant Fund – The State of California enacted the California Beverage Container Recycling and Litter Reduction Act that provides funds to cities and counties for beverage container recycling and litter cleanup activities. The California Department of Conservation's Division of Recycling has been delegated the responsibility for the administration of the program within the State, setting up necessary procedures for cities and counties or their designees under the program. Section 14581 (a)(4)(E) of the California Beverage Container Recycling and Litter Reduction Act, the eligible participant must submit the Funding Request Form by the due date and time in order to request funds from the Department of Conservation's Division of Recycling.

Measure M Local Return Fund – Measure M revenues represent the City's portion of a special Los Angeles County ½ cent on Sales Tax approved by the voters in 2016. Cities are entitled to 17% of all the ½ cent revenues. Distribution to each city is pro-rated based on each city's population. Funds are primarily utilized for street and road maintenance and improvement projects.

Prop C Local Return Fund – Proposition "C" revenues represent the City's portion of a special Los Angeles County ½ cent Sales Tax approved by voters in 1990. Cities are entitled to 20% of all the ½ cent revenues. Distribution to each city is pro-rated based on each city's population. These revenues are restricted to fund transportation related activities and projects that benefit and support local transit services.

CDBG Fund – The Federal Department of Housing and Urban Development created the Community Development Block Grant (CDBG) program to revitalize low and moderate income areas within American cities. The fund provides resources for activities that benefit persons with low and moderate income. The City receives funds through the County of Los Angeles as a subgrantee.

Prop A Park Bond Grant Fund – The Safe Neighborhood Parks Proposition of 1992 (Proposition A) provides funding for park and open space improvement projects. On an annual basis, 15% of all proceeds of assessments levied and collected by Los Angeles County are set aside and designated as a maintenance and servicing fund for the maintenance of Measure A fund projects.

TDA Fund – The Transportation Development Act (TDA) Article 3 funds are allocations from the Los Angeles County Metropolitan Transportation Authority (MTA). These funds are allocated annually on a per capita basis. Local agencies may either draw down these funds or place them in reserve. Agencies must submit a claim form to Metro by the end of the fiscal year in which they are allocated.

CITY OF SOUTH EL MONTE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

SPECIAL REVENUE FUNDS (CONTINUED)

Measure R Local Return Fund – Measure R revenues represent the City's portion of a special Los Angeles County ½ cent Sales Tax approved by voters in 2008. Cities are entitled to 15% of all the ½ cent revenues for a period of 30 years. Distribution to each city is pro-rated based on each city's population. Funds are to be utilized to improve local transit services, transportation infrastructure, public improvements and citywide roadway related capital improvement projects.

Sewer Assessment Fund – Sewer assessment fees are levied on property within the City to fund short-term repairs and upgrades, as well as long-term sewer projects, as laid out in the City's Sewer Master Plan.
State Deferred Loan Program Fund -

CalHome Grant Fund – The CalHome Grant Fund is used to account for the California Department of Housing and Community Development grants restricted for the HOME Investment Partnership program.

Begin Program Fund – The Begin Program Fund was historically established to account for the City's Begin Program. There has been no activities over 12 years.

CalHome Reuse Fund – The CalHome Reuse Fund is used to account for the California Department of Housing and Community Development programs for first-time homebuyers.

Miscellaneous Grant Reimbursement Fund - The Miscellaneous Grant Reimbursement Fund was historically used to account for unusual and infrequent grant reimbursement activities not tracked in any other special revenue funds.

Miscellaneous Local Grant Fund – The Miscellaneous Local Grant Fund was historically used to account for unusual and infrequent local grants not tracked in any other special revenue funds.

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

CAPITAL PROJECTS FUND

Capital Improvement Fund – This fund is used to account for the financial resources allocated for capital improvement projects.

CITY OF SOUTH EL MONTE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| | Special Revenue Funds | | | | | | |
|--|-----------------------|-------------------|----------------------|----------------------|----------------------|------------------|--|
| | Older Americans | | Rosemead | Hayward | | | |
| | Act Fund | RMRA Fund | Maintenance District | Maintenance District | Air Quality District | Cable Peg Fund | |
| ASSETS | | | | | | | |
| Cash and investments | \$ - | \$ 767,372 | \$ 7,722 | \$ 22,851 | \$ 69,333 | \$ 92,573 | |
| Receivables | | | | | | | |
| Intergovernmental | - | 26,553 | - | - | 6,664 | - | |
| Loans | - | - | - | - | - | - | |
| Accounts | - | - | 199 | 7 | - | - | |
| Advances to other funds | - | - | 184 | 639 | 15,124 | 2,354 | |
| Total Assets | \$ - | \$ 793,925 | \$ 8,105 | \$ 23,497 | \$ 91,121 | \$ 94,927 | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 26,989 | \$ - | \$ - | \$ - | \$ 13,543 | \$ - | |
| Accrued wages and benefits | 1,112 | - | - | - | - | - | |
| Advances from other funds | 165,844 | 17,476 | - | - | - | - | |
| Unearned revenue | - | - | - | - | - | - | |
| Total Liabilities | 193,945 | 17,476 | - | - | 13,543 | - | |
| FUND BALANCES | | | | | | | |
| Restricted | - | 776,449 | 8,105 | 23,497 | 77,578 | 94,927 | |
| Unassigned | (193,945) | - | - | - | - | - | |
| Total Fund Balances | (193,945) | 776,449 | 8,105 | 23,497 | 77,578 | 94,927 | |
| Total Liabilities and Fund Balances | \$ - | \$ 793,925 | \$ 8,105 | \$ 23,497 | \$ 91,121 | \$ 94,927 | |

CITY OF SOUTH EL MONTE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| | Special Revenue Funds | | | | | |
|--|------------------------|------------------------------|--------------------------|-------------------------------------|---|--------------------|
| | Quimby in Lieu Fees | Miscellaneous Grant Funds | State Cops Grant Fund | Used Oil Recycling Grant Fund | Beverage Container Recycling Fund | Measure M Local |
| ASSETS | | | | | | |
| Cash and investments | \$ 158,517 | \$ - | \$ 30,782 | \$ - | \$ 33,264 | \$ 563,240 |
| Receivables | | | | | | |
| Intergovernmental | - | - | - | - | - | - |
| Loans | - | - | - | - | - | - |
| Accounts | - | - | - | - | - | - |
| Advances to other funds | 3,625 | - | - | - | 998 | - |
| Total Assets | \$ 162,142 | \$ - | \$ 30,782 | \$ - | \$ 34,262 | \$ 563,240 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 1,047 | \$ 1,802 | \$ - |
| Accrued wages and benefits | - | - | - | - | - | - |
| Advances from other funds | - | 25,616 | 44,246 | 5,642 | - | 12,561 |
| Unearned revenue | - | - | - | - | - | - |
| Total Liabilities | - | 25,616 | 44,246 | 6,689 | 1,802 | 12,561 |
| FUND BALANCES | | | | | | |
| Restricted | 162,142 | - | - | - | 32,460 | 550,679 |
| Unassigned | - | (25,616) | (13,464) | (6,689) | - | - |
| Total Fund Balances | 162,142 | (25,616) | (13,464) | (6,689) | 32,460 | 550,679 |
| Total Liabilities and Fund Balances | \$ 162,142 | \$ - | \$ 30,782 | \$ - | \$ 34,262 | \$ 563,240 |

CITY OF SOUTH EL MONTE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| | Special Revenue Funds | | | | |
|--|-----------------------|------------------|-------------------|-----------------------------|-------------------|
| | Prop C | CDBG Fund | Prop A Park Grant | Trans. Development Act Fund | Measure R Local |
| ASSETS | | | | | |
| Cash and investments | \$ 827,518 | \$ 59,071 | \$ 22,771 | \$ - | \$ 835,043 |
| Receivables | | | | | |
| Intergovernmental | - | - | - | - | - |
| Loans | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Advances to other funds | - | - | - | 23,938 | - |
| Total Assets | \$ 827,518 | \$ 59,071 | \$ 22,771 | \$ 23,938 | \$ 835,043 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 17,137 | \$ 25,574 | \$ - | \$ - | \$ - |
| Accrued wages and benefits | 1,664 | - | 178 | - | 10,073 |
| Advances from other funds | 5,609 | 82,830 | 5,005 | - | 250,113 |
| Unearned revenue | - | - | - | - | - |
| Total Liabilities | 24,410 | 108,404 | 5,183 | - | 260,186 |
| FUND BALANCES | | | | | |
| Restricted | 803,108 | - | 17,588 | 23,938 | 574,857 |
| Unassigned | - | (49,333) | - | - | - |
| Total Fund Balances | 803,108 | (49,333) | 17,588 | 23,938 | 574,857 |
| Total Liabilities and Fund Balances | \$ 827,518 | \$ 59,071 | \$ 22,771 | \$ 23,938 | \$ 835,043 |

CITY OF SOUTH EL MONTE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

Special Revenue Funds

| | State Deferred Grant | CalHOME Grant | Begin Program Fund | Miscellaneous State Grants | Miscellaneous Federal Grants |
|--|-------------------------|---------------------|-----------------------|-------------------------------|---------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 13,489 | \$ 344,962 | \$ - | \$ 25,869 | \$ - |
| Receivables | | | | | |
| Intergovernmental | - | - | - | 40,000 | 198,038 |
| Loans | - | 1,729,588 | 252,000 | - | - |
| Accounts | - | - | - | - | - |
| Advances to other funds | 377 | 7,514 | - | - | - |
| Total Assets | \$ 13,866 | \$ 2,082,064 | \$ 252,000 | \$ 65,869 | \$ 198,038 |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 114,335 | \$ - |
| Accrued wages and benefits | 11,500 | 680 | - | - | - |
| Advances from other funds | - | 6,938 | - | 89,612 | 17,554 |
| Unearned revenue | - | 35,000 | - | - | - |
| Total Liabilities | 11,500 | 42,618 | - | 203,947 | 17,554 |
| FUND BALANCES | | | | | |
| Restricted | 2,366 | 2,039,446 | 252,000 | - | - |
| Unassigned | - | - | - | (138,078) | 180,484 |
| Total Fund Balances | 2,366 | 2,039,446 | 252,000 | (138,078) | 180,484 |
| Total Liabilities and Fund Balances | \$ 13,866 | \$ 2,082,064 | \$ 252,000 | \$ 65,869 | \$ 198,038 |

CITY OF SOUTH EL MONTE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

Capital Projects Fund

| | <u>Capital Improvement Fund</u> | <u>Non-Major Governmental Funds</u> |
|--|-------------------------------------|---|
| ASSETS | | |
| Cash and investments | \$ 23,222 | \$ 3,897,599 |
| Receivables | | |
| Intergovernmental | - | 271,255 |
| Loans | - | 1,981,588 |
| Accounts | - | 206 |
| Advances to other funds | 891,483 | 946,236 |
| Total Assets | \$ 914,705 | \$ 7,096,884 |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 200,427 |
| Accrued wages and benefits | - | 25,207 |
| Advances from other funds | 21,640 | 750,686 |
| Unearned revenue | - | 35,000 |
| Total Liabilities | 21,640 | 1,011,320 |
| FUND BALANCES | | |
| Restricted | 893,065 | 6,312,052 |
| Unassigned | - | (226,488) |
| Total Fund Balances | 893,065 | 6,085,564 |
| Total Liabilities and Fund Balances | \$ 914,705 | \$ 7,096,884 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | | | | | | |
|--|--------------------------|-------------------|-------------------------------|------------------------------|----------------------|-------------|------------------|
| | Older Americans Act Fund | | Rosemead Maintenance District | Hayward Maintenance District | Air Quality District | | Cable Peg Fund |
| | Fund | RMRA Fund | District | District | District | District | |
| REVENUES | | | | | | | |
| Property taxes | \$ - | \$ - | \$ 826 | \$ 38 | \$ - | \$ - | \$ - |
| Intergovernmental | 257,877 | 371,472 | - | - | 25,373 | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Interest earnings | - | 5,471 | 107 | 348 | 974 | - | 1,537 |
| Other revenues | - | - | - | - | - | - | 10,549 |
| Total Revenues | 257,877 | 376,943 | 933 | 386 | 26,347 | - | 12,086 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Public Safety | - | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - | - |
| Public works/utilities | - | - | - | - | 13,543 | - | - |
| Community service programs | 376,510 | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Total Expenditures | 376,510 | - | - | - | 13,543 | - | - |
| Excess (Deficiency) of Revenues | | | | | | | |
| Over Expenditures | (118,633) | 376,943 | 933 | 386 | 12,804 | - | 12,086 |
| Fund Balance - Beginning, as restated | (75,312) | 399,506 | 7,172 | 23,111 | 64,774 | - | 82,841 |
| Fund Balance - Ending | \$ (193,945) | \$ 776,449 | \$ 8,105 | \$ 23,497 | \$ 77,578 | \$ - | \$ 94,927 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | | | | | |
|--|-----------------------|--------------------|--------------------|----------------------|--------------------------|-------------------|
| | Quimby in Lieu | Miscellaneous | State Cops | Used Oil | Beverage | Measure M |
| | Fees | Grant Funds | Grant Fund | Recycling Grant Fund | Container Recycling Fund | Local |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 128,414 | - | - | 283,430 |
| Charges for services | 25,216 | - | - | - | - | - |
| Interest earnings | 2,030 | - | - | 74 | 587 | 4,384 |
| Other revenues | - | - | - | - | - | - |
| Total Revenues | 27,246 | - | 128,414 | 74 | 587 | 287,814 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public Safety | - | - | 62,635 | - | - | - |
| Community development | - | - | - | - | 4,019 | - |
| Public works/utilities | - | - | - | 7,263 | - | 12,736 |
| Community service programs | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total Expenditures | - | - | 62,635 | 7,263 | 4,019 | 12,736 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures | 27,246 | - | 65,779 | (7,189) | (3,432) | 275,078 |
| Fund Balance - Beginning, as restated | 134,896 | (25,616) | (79,243) | 500 | 35,892 | 275,601 |
| Fund Balance - Ending | \$ 162,142 | \$ (25,616) | \$ (13,464) | \$ (6,689) | \$ 32,460 | \$ 550,679 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | | | | |
|--|-----------------------|--------------------|-------------------|----------------------|-------------------|
| | Prop C | CDBG Fund | Prop A Park Grant | Trans. | Measure R Local |
| | | | | Development Act Fund | |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 336,096 | 58,998 | - | 23,938 | 251,712 |
| Charges for services | - | - | - | - | - |
| Interest earnings | 8,056 | - | 270 | - | 5,106 |
| Other revenues | - | - | - | - | - |
| Total Revenues | 344,152 | 58,998 | 270 | 23,938 | 256,818 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public Safety | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Public works/utilities | 23,979 | - | - | - | 11,189 |
| Community service programs | - | 76,453 | - | - | - |
| Capital outlay | 83,447 | 31,878 | - | - | - |
| Total Expenditures | 107,426 | 108,331 | - | - | 11,189 |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | 236,726 | (49,333) | 270 | 23,938 | 245,629 |
| Fund Balance - Beginning, as restated | 566,382 | - | 17,318 | - | 329,228 |
| Fund Balance - Ending | \$ 803,108 | \$ (49,333) | \$ 17,588 | \$ 23,938 | \$ 574,857 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

Special Revenue Funds

| | State Deferred Grant | CalHOME Grant | Begin Program Fund | Miscellaneous State Grants | Miscellaneous Federal Grants |
|--|-------------------------|---------------------|-----------------------|-------------------------------|---------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | 110,095 | 220,484 |
| Charges for services | - | - | - | - | - |
| Interest earnings | 206 | 5,122 | - | - | - |
| Other revenues | - | - | - | - | - |
| Total Revenues | 206 | 5,122 | - | 110,095 | 220,484 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public Safety | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Public works/utilities | - | - | - | - | - |
| Community service programs | - | - | - | - | - |
| Capital outlay | - | - | - | 248,102 | 23,084 |
| Total Expenditures | - | - | - | 248,102 | 23,084 |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | 206 | 5,122 | - | (138,007) | 197,400 |
| Fund Balance - Beginning, as restated | 2,160 | 2,034,324 | 252,000 | (71) | (16,916) |
| Fund Balance - Ending | \$ 2,366 | \$ 2,039,446 | \$ 252,000 | \$ (138,078) | \$ 180,484 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | <u>Capital Projects Fund</u> | |
|--|-------------------------------------|---|
| | <u>Capital Improvement Fund</u> | <u>Non-Major Governmental Funds</u> |
| REVENUES | | |
| Property taxes | \$ - | \$ 864 |
| Intergovernmental | - | 2,067,889 |
| Charges for services | - | 25,216 |
| Interest earnings | 14,199 | 48,471 |
| Other revenues | 8,507 | 19,056 |
| Total Revenues | <u>22,706</u> | <u>2,161,496</u> |
| EXPENDITURES | | |
| Current: | | |
| Public Safety | - | 62,635 |
| Community development | - | 4,019 |
| Public works/utilities | - | 68,710 |
| Community service programs | - | 452,963 |
| Capital outlay | 4,680 | 391,191 |
| Total Expenditures | <u>4,680</u> | <u>979,518</u> |
| Excess (Deficiency) of Revenues | | |
| Over Expenditures | <u>18,026</u> | <u>1,181,978</u> |
| Fund Balance - Beginning, as restated | <u>875,039</u> | <u>4,903,586</u> |
| Fund Balance - Ending | <u>\$ 893,065</u> | <u>\$ 6,085,564</u> |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – OLDER AMERICAN ACT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-----------------|------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 233,941 | \$ 257,877 | \$ 23,936 |
| Total Revenues | 233,941 | 257,877 | 23,936 |
| EXPENDITURES | | | |
| Community services programs: | | | |
| Senior nutrition program CI | 276,303 | 329,321 | (53,018) |
| Senior nutrition program CII | 55,540 | 47,189 | 8,351 |
| Total Expenditures | 331,843 | 376,510 | (53,018) |
| Excess (Deficiency) of Revenues Over Expenditures | (97,902) | (118,633) | (29,082) |
| Other Financing Sources (Uses): | | | |
| Transfers in | 97,902 | - | (97,902) |
| Net Financing Sources (Uses) | 97,902 | - | (97,902) |
| NET CHANGE IN FUND BALANCE | - | (118,633) | (118,633) |
| Fund Balance - Beginning | (75,312) | (75,312) | - |
| Fund Balance - Ending | \$ (75,312) | \$ (193,945) | \$ (118,633) |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – MAINTENANCE DISTRICT SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-------------------|-------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ - | \$ 864 | 864 |
| Intergovernmental | 343,193 | 371,472 | 28,279 |
| Interest earnings | - | 5,926 | 5,926 |
| Total Revenues | 343,193 | 378,262 | 35,069 |
| EXPENDITURES | | | |
| Capital outlay | | | |
| Construction | 599,272 | - | 599,272 |
| Excess (Deficiency) of Revenues Over Expenditures | (256,079) | 378,262 | 634,341 |
| Fund Balance - Beginning | 429,789 | 429,789 | - |
| Fund Balance - Ending | \$ 173,710 | \$ 808,051 | \$ 634,341 |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|------------------|------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 55,000 | \$ 25,373 | \$ (29,627) |
| Interest earnings | - | 974 | 974 |
| Total Revenues | 55,000 | 26,347 | (28,653) |
| EXPENDITURES | | | |
| Transportation programs | 75,000 | 13,543 | 61,457 |
| Total Expenditures | 75,000 | 13,543 | 61,457 |
| Excess (Deficiency) of Revenues Over Expenditures | (20,000) | 12,804 | 32,804 |
| Fund Balance - Beginning | 64,774 | 64,774 | - |
| Fund Balance - Ending | \$ 44,774 | \$ 77,578 | \$ 32,804 |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – CABLE PEG SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|------------------|------------------|--------------------------------|
| REVENUES | | | |
| Other revenues | \$ 10,000 | \$ 10,549 | \$ 549 |
| Interest earnings | - | 1,537 | 1,537 |
| Total Revenues | 10,000 | 12,086 | 2,086 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | - | 12,086 | 2,086 |
| Fund Balance - Beginning | 82,841 | 82,841 | - |
| Fund Balance - Ending | \$ 82,841 | \$ 94,927 | \$ 12,086 |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – QUIMBY IN LIEU FEE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|--------------|------------|--------------------------------|
| REVENUES | | | |
| Charges for services | \$ - | \$ 25,216 | \$ 25,216 |
| Interest earnings | - | 2,030 | 2,030 |
| Total Revenues | - | 27,246 | 27,246 |
| EXPENDITURES | | | |
| Capital outlay: | | | |
| Quimby in lieu | 14,000 | - | 14,000 |
| Total Expenditures | 14,000 | - | 14,000 |
| Excess (Deficiency) of Revenues Over Expenditures | (14,000) | 27,246 | 41,246 |
| Fund Balance - Beginning | 134,896 | 134,896 | - |
| Fund Balance - Ending | \$ 120,896 | \$ 162,142 | \$ 41,246 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – STATE COPS GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|--------------|-------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 100,000 | \$ 128,414 | \$ 28,414 |
| EXPENDITURES | | | |
| Public safety: | | | |
| State cops | - | 62,635 | (62,635) |
| Total Expenditures | - | 62,635 | (62,635) |
| Excess (Deficiency) of Revenues Over Expenditures | 100,000 | 65,779 | (34,221) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (139,000) | - | 139,000 |
| NET CHANGE IN FUND BALANCE | (39,000) | 65,779 | 104,779 |
| Fund Balance - Beginning | (79,243) | (79,243) | - |
| Fund Balance - Ending | \$ (118,243) | \$ (13,464) | \$ 104,779 |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – USED OIL BLOCK GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-----------------|-------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 5,844 | \$ - | (5,844) |
| Interest earnings | - | 74 | 74 |
| Total Revenues | 5,844 | 74 | (5,770) |
| EXPENDITURES | | | |
| Public works/utilities | | | |
| Used oil recycling program | 4,991 | 7,263 | (2,272) |
| Total Expenditures | 4,991 | 7,263 | (2,272) |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | 853 | (7,189) | (8,042) |
| Fund Balance - Beginning | 500 | 500 | - |
| Fund Balance - Ending | \$ 1,353 | \$ (6,689) | \$ (8,042) |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – BEVERAGE CONTAINER RECYCLING GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|------------------|------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 5,000 | \$ - | \$ (5,000) |
| Interest earnings | - | 587 | 587 |
| Total Revenues | 5,000 | 587 | (4,413) |
| EXPENDITURES | | | |
| Community development: | | | |
| Administration | 5,500 | 4,019 | 1,481 |
| Total Expenditures | 5,500 | 4,019 | 1,481 |
| Excess (Deficiency) of Revenues Over Expenditures | (500) | (3,432) | (2,932) |
| Fund Balance - Beginning | 35,892 | 35,892 | - |
| Fund Balance - Ending | \$ 35,392 | \$ 32,460 | \$ (2,932) |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – MEASURE M LOCAL RETURN SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-------------------|-------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 5,898,104 | \$ 283,430 | \$ (5,614,674) |
| Interest earnings | - | 4,384 | 4,384 |
| Total Revenues | 5,898,104 | 287,814 | (5,610,290) |
| EXPENDITURES | | | |
| Public works/utilities: | | | |
| Measure M | 5,816,218 | 12,736 | 5,803,482 |
| Total Expenditures | 5,816,218 | 12,736 | 5,803,482 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | 81,886 | 275,078 | 193,192 |
| Fund Balance - Beginning | 275,601 | 275,601 | - |
| Fund Balance - Ending | \$ 357,487 | \$ 550,679 | \$ 193,192 |

CITY OF SOUTH EL MONTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – PROPOSITION C LOCAL RETURN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-------------------|-------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 350,710 | \$ 336,096 | \$ (14,614) |
| Interest earnings | - | 8,056 | 8,056 |
| Total Revenues | 350,710 | 344,152 | (6,558) |
| EXPENDITURES | | | |
| Public works/utilities: | | | |
| Administration | 44,430 | 23,979 | 20,451 |
| Capital outlay: | | | |
| Construction | 250,644 | 83,447 | 167,197 |
| Total Expenditures | 295,074 | 107,426 | 187,648 |
| Excess (Deficiency) of Revenues Over Expenditures | 55,636 | 236,726 | 181,090 |
| Fund Balance - Beginning | 566,382 | 566,382 | - |
| Fund Balance - Ending | \$ 622,018 | \$ 803,108 | \$ 181,090 |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-------------------|--------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 365,000 | \$ 58,998 | \$ (306,002) |
| Total Revenues | 365,000 | 58,998 | (306,002) |
| EXPENDITURES | | | |
| Community services programs: | | | |
| Administration | - | 9,769 | (9,769) |
| Code enforcement | 105,480 | 66,684 | 38,796 |
| Capital outlay | | | |
| Construction | 265,000 | 31,878 | 233,122 |
| Total Expenditures | 370,480 | 108,331 | 262,149 |
| Excess (Deficiency) of Revenues Over Expenditures | (5,480) | (49,333) | (43,853) |
| Fund Balance - Beginning | - | - | - |
| Fund Balance - Ending | \$ (5,480) | \$ (49,333) | \$ (43,853) |

CITY OF SOUTH EL MONTE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL – MEASURE R SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variances - Final to Actual |
|--|-------------------|-------------------|--------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 263,061 | \$ 251,712 | \$ (11,349) |
| Interest earnings | - | 5,106 | 5,106 |
| Total Revenues | 263,061 | 256,818 | (6,243) |
| EXPENDITURES | | | |
| Public works/utilities: | | | |
| Administration | 116,618 | 11,189 | 105,429 |
| Total Expenditures | 116,618 | 11,189 | 105,429 |
| Excess (Deficiency) of Revenues Over Expenditures | 146,443 | 245,629 | 99,186 |
| Fund Balance - Beginning | 329,228 | 329,228 | - |
| Fund Balance - Ending | \$ 475,671 | \$ 574,857 | \$ 99,186 |