

CITY OF EAST PALO ALTO
EAST PALO ALTO, CALIFORNIA

AUDIT REPORT

JUNE 30, 1987

AND

JUNE 30, 1986

CITY OF EAST PALO ALTO
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FINANCIAL SECTION



MORRIS·DAVIS & COMPANY

Certified Public Accountants

City Council Members
City of East Palo Alto, California

We have examined the general purpose financial statements of the City of East Palo Alto, California (the City) as of and for the years ended June 30, 1987 and June 30, 1986, as listed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 11, subsequent to the issuance of the City's 1987 and 1986 general purpose financial statements and our report thereon dated July 29, 1988, we became aware that the Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual, All Governmental Fund Types did not reflect the City's revised and approved budgeted revenues and expenditures. In our original report we expressed an unqualified opinion on the 1987 and 1986 general purpose financial statements and our opinion on the revised statements, as expressed herein, remains unqualified.

In our opinion, the general purpose financial statements referred to above presents fairly the financial position of the City of East Palo Alto, California at June 30, 1987 and June 30, 1986, and the results of its operations and changes in fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Morris, Davis & Company

July 29, 1988, except for Note 11, as to which the date is October 26, 1988.

CITY OF EAST PALO ALTO
COMBINED BALANCE SHEET
JUNE 30, 1987

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	General Fixed Assets Account Group	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Trust and Agency		
ASSETS:						
Cash In Bank and on Hand	\$ 90,137	\$ 25	\$	\$	\$	\$ 90,162
Local Grant Receivable		12,500				12,500
Due from Federal Government		10,000				10,000
Due from State		2,743				2,743
Due from County of San Mateo	54,653	17,030				71,683
Due from Other Funds (Note 3)	29,969	413,854	10,969	284,397		739,189
Other Receivable	6,954					6,954
Prepaid Rent	25,872					25,872
Investments	500,000			60,349		560,349
Land, Structures and Improvements (Note 5)					2,888,393	2,888,393
Office Furniture and Equipment (Note 5)					87,885	87,885
Total Assets	<u>\$707,585</u>	<u>\$456,152</u>	<u>\$10,969</u>	<u>\$344,746</u>	<u>\$2,976,278</u>	<u>\$4,495,730</u>
LIABILITIES:						
Accounts Payable	\$144,678	\$211,669	\$10,969	\$ 411	\$	\$ 367,727
Accrued Liabilities	89,550					89,550
Due to Other Funds (Note 3)	709,220	29,969				739,189
Other Liabilities	3,779					3,779
Total Liabilities	<u>947,227</u>	<u>241,638</u>	<u>10,969</u>	<u>411</u>	<u>-</u>	<u>1,200,245</u>
FUND EQUITY:						
Investment in General Fixed Assets					2,976,278	2,976,278
Fund Balances (Deficits):						
Reserve				344,335		344,335
Unreserved	(239,642)	214,514	-	344,335	2,976,278	(25,128)
Total Fund Equity	<u>(239,642)</u>	<u>214,514</u>	<u>-</u>	<u>344,335</u>	<u>2,976,278</u>	<u>3,295,485</u>
Total Liabilities and Fund Equity	<u>\$707,585</u>	<u>\$456,152</u>	<u>\$10,969</u>	<u>\$344,746</u>	<u>\$2,976,278</u>	<u>\$4,495,730</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
COMBINED BALANCE SHEET
JUNE 30, 1986

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	General Fixed Assets Account Group	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Trust and Agency		
ASSETS:						
Cash In Bank and on Hand	\$ 190,953	\$169,208	\$1,682	\$157,184	\$	\$ 519,027
Due from State	11,204	38,174				49,378
Due from County of San Mateo	31,094	42,767				73,861
Due from Other Funds (Note 3)	35,658	64,156		2,919		102,733
Interest Receivable	1,666					1,666
Deposit in Escrow (Note 4)	75,000					75,000
Investments	834,659			54,742		889,401
Land, Structures and Improvements (Note 5)					2,433,100	2,433,100
Office Furniture and Equipment (Note 5)					81,241	81,241
Total Assets	<u>\$1,180,234</u>	<u>\$314,305</u>	<u>\$1,682</u>	<u>\$214,845</u>	<u>\$2,514,341</u>	<u>\$4,225,407</u>
LIABILITIES:						
Accounts Payable	\$ 145,171	\$ 95,532	\$1,682	\$ 729	\$	\$ 243,114
Accrued Liabilities	127,577	10,373				137,950
Due to Other Funds (Note 3)	2,290	100,443				102,733
Other Liabilities	12,107	1,818				13,925
Total Liabilities	<u>287,145</u>	<u>208,166</u>	<u>1,682</u>	<u>729</u>		<u>497,722</u>
FUND EQUITY:						
Investment in General Fixed Asset					2,514,341	2,514,341
Fund Balances (Deficits):						
Reserve				214,116		214,116
Unreserved	893,089	106,139				999,228
Total Fund Equity	<u>893,089</u>	<u>106,139</u>		<u>214,116</u>	<u>2,514,341</u>	<u>3,727,685</u>
Total Liabilities and Fund Equity	<u>\$1,180,234</u>	<u>\$314,305</u>	<u>\$1,682</u>	<u>\$214,845</u>	<u>\$2,514,341</u>	<u>\$4,225,407</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEARS ENDED JUNE 30, 1987 AND JUNE 30, 1986

	J U N E 3 0, 1 9 8 7			J U N E 3 0, 1 9 8 6		
	General	Special Revenues	Capital Projects Total (Memorandum Only)	General	Special Revenues	Capital Projects Total (Memorandum Only)
Revenue:						
Tax Apportionments:						
Property Tax	\$1,431,901	\$	\$1,431,901	\$1,325,306	\$	\$1,325,306
State Aid:						
Cigarette Tax	44,474		44,474	48,386		48,386
Motor Vehicle In-Lieu Tax	800,590		800,590	764,277		764,277
Sales Tax	196,934		196,934	188,045		188,045
Gas Tax		453,063	453,063		566,645	566,645
Off-Highway License Fee		525	525			
Other State Aid	11,463		11,463	11,204		11,204
Transportation Safety		113,934	113,934		49,118	49,118
Fees and Charges:						
Garbage Collection Charges		331,779	331,779		325,792	325,792
Garbage Administration Fee	15,896		15,896	16,691		16,691
PGandE Franchise Fee	59,348		59,348	65,702		65,702
Public Work Fees	64,108		64,108	20,266		20,266
Planning Fees	3,926		3,926			
M.V. Trailer Fees	1,277		1,277	530		530
Police Fees and Charges	7,737		7,737	4,034		4,034
Redevelopment Fees	180,000	20,000	200,000	111,000		111,000
Planning and Engineering Fees	13,845		13,845	22,728		22,728
Park and Recreation Fees	9,167		9,167	12,106		12,106
Business License	18,363		18,363	24,918		24,918
Building Permits	60,896		60,896	61,353		61,353
Interest Income	48,945		48,945	121,454	3,487	125,684
Rent Stabilization Fees		88,158	88,158		73,595	73,595
Federal Grants:						
Revenue Sharing		28,996	28,996		55,441	55,441
Community Development Block Grants			200,000	19,593	1,130,952	1,150,545
Economic Development Administration		10,000	10,000		25,000	25,000

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEARS ENDED JUNE 30, 1987 AND JUNE 30, 1986

	J U N E 3 0, 1 9 8 7				J U N E 3 0, 1 9 8 6			
	General	Special Revenues	Capital Projects	Total (Memorandum Only)	General	Special Revenues	Capital Projects	Total (Memorandum Only)
Revenue (Continued):								
State Grant:								
Peace Officers Training Program	\$	\$ 45,296	\$	\$ 45,296	\$	\$ 35,293	\$	\$ 35,293
Local Grant:								
SB-789 Crime Prevention Program		13,802		13,802		33,168		33,168
Public Utilities Street Rehabilitation						167,690		167,690
Other Local Grants		31,036		31,036		6,725		6,725
Miscellaneous	29,239			29,239	19,273	410		19,683
Total Revenue	<u>2,998,109</u>	<u>1,136,589</u>	<u>200,000</u>	<u>4,334,698</u>	<u>2,817,273</u>	<u>1,361,957</u>	<u>1,131,695</u>	<u>5,310,925</u>
Expenditures:								
City Council	139,671			139,671	147,595			147,595
Management Services	303,339			303,339	322,114			322,114
Clerical Support	204,862			204,862	205,095			205,095
Legal Services	127,507			127,507	132,242	3,895		136,137
Community Development	158,514	20,405		178,919	182,448	39,368		221,816
Public Works	521,469	814,341		1,335,810	196,770	1,400,545		1,597,315
Police	2,033,641	88,094		2,121,735	1,765,470	123,902		1,889,372
Community Services	322,347	25,338		347,685	337,358	3,350		340,708
Rent Stabilization		72,102		72,102		47,780		47,780
Capital Improvement Program			469,807	469,807			1,270,069	1,270,069
Redevelopment Agency		7,934		7,934				
Contingency Reserve	49,683			49,683	4,750			4,750
Total Expenditures	<u>3,861,033</u>	<u>1,028,214</u>	<u>469,807</u>	<u>5,359,054</u>	<u>3,293,842</u>	<u>1,618,840</u>	<u>1,270,069</u>	<u>6,182,751</u>
Revenue Over (Under)								
Expenditures	(862,924)	108,375	(269,807)	(1,024,356)	(476,569)	(256,883)	(138,374)	(871,826)
Transfer In (Note 9)			269,807	269,807		74	18,267	18,341
Transfer Out (Note 9)	(269,807)			(269,807)	(18,341)			(18,341)
Fund Balances July 1	<u>893,089</u>	<u>106,139</u>		<u>999,228</u>	<u>1,387,999</u>	<u>362,948</u>	<u>120,107</u>	<u>1,871,054</u>
Fund Balances (Deficits) June 30	<u>(\$ 239,642)</u>	<u>\$ 214,514</u>	<u>\$ -</u>	<u>(\$ 25,128)</u>	<u>\$ 893,089</u>	<u>\$ 106,139</u>	<u>\$ -</u>	<u>\$ 999,228</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1987

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Total (Memorandum Only)</u>
ASSETS:						
Cash in Bank and on Hand	\$ 25	\$	\$	\$	\$	\$ 25
Local Grant Receivable					12,500	12,500
Due from Federal Government					10,000	10,000
Due from State					2,743	2,743
Due from County of San Mateo				12,304	4,726	17,030
Due from Other Funds	<u>148,682</u>	<u>173,278</u>	<u>79,578</u>	<u>58</u>	<u>12,258</u>	<u>413,854</u>
Total Assets	<u>\$148,707</u>	<u>\$173,278</u>	<u>\$79,578</u>	<u>\$12,362</u>	<u>\$42,227</u>	<u>\$456,152</u>
LIABILITIES:						
Accounts Payable	\$132,323	\$ 76,705	\$ 724	\$ 1,723	\$ 194	\$211,669
Due to Other Funds					29,969	29,969
Total Liabilities	132,323	76,705	724	1,723	30,163	241,638
FUND EQUITY:						
Fund Balances	<u>16,384</u>	<u>96,573</u>	<u>78,854</u>	<u>10,639</u>	<u>12,064</u>	<u>214,514</u>
Total Liabilities and Fund Balances	<u>\$148,707</u>	<u>\$173,278</u>	<u>\$79,578</u>	<u>\$12,362</u>	<u>\$42,227</u>	<u>\$456,152</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1986

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Total (Memorandum Only)</u>
ASSETS:						
Cash in Bank and on Hand	\$	\$100,090	\$64,413	\$	\$ 4,705	\$169,208
Due from State	31,846				6,328	38,174
Due from County of San Mateo		7,299		6,138	29,330	42,767
Due from Other Funds		<u>64,156</u>				<u>64,156</u>
Total Assets	<u>\$31,846</u>	<u>\$171,545</u>	<u>\$64,413</u>	<u>\$ 6,138</u>	<u>\$40,363</u>	<u>\$314,305</u>
LIABILITIES:						
Accounts Payable	\$11,048	\$ 76,705	\$ 484	\$ 7,295	\$	\$ 95,532
Accrued Liabilities	9,242		1,131			10,373
Due to Other Funds	52,631			12,154	35,658	100,443
Other Liabilities	<u>1,818</u>					<u>1,818</u>
Total Liabilities	74,739	76,705	1,615	19,449	35,658	208,166
FUND EQUITY:						
Fund Balances (Deficits)	(42,893)	<u>94,840</u>	<u>62,798</u>	(13,311)	4,705	<u>106,139</u>
Total Liabilities and Fund Balances	<u>\$31,846</u>	<u>\$171,545</u>	<u>\$64,413</u>	<u>\$ 6,138</u>	<u>\$40,363</u>	<u>\$314,305</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1987

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Total (Memorandum Only)</u>
REVENUE:						
State Aids:						
Gas Tax	\$453,063	\$	\$	\$	\$	\$ 453,063
Off Highway License Fee				525		525
Transportation Safety Fees and Charges				113,934		113,934
Garbage Collection Charges		331,779				331,779
Redevelopment Fees					20,000	20,000
Rent Stabilization Fees			88,158			88,158
Federal Grants:						
Revenue Sharing					28,996	28,996
Economic Development Administration					10,000	10,000
State Grants:						
Peace Officers Training Program					45,296	45,296
Local Grants:						
SB-789 Crime Prevention Program					13,802	13,802
Other Local Grants					31,036	31,036
Total Revenue	<u>\$453,063</u>	<u>\$331,779</u>	<u>\$88,158</u>	<u>\$114,459</u>	<u>\$149,130</u>	<u>\$1,136,589</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1987

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Total (Memorandum Only)</u>
EXPENDITURES:						
Community Development	\$	\$	\$	\$	\$ 20,405	\$ 20,405
Public Works	393,786	330,046		90,509		814,341
Police					88,094	88,094
Community Services					25,338	25,338
Rent Stabilization			72,102			72,102
Rehabilitation Agency					7,934	7,934
Total Expenditures	<u>393,786</u>	<u>330,046</u>	<u>72,102</u>	<u>90,509</u>	<u>141,771</u>	<u>1,028,214</u>
Revenue Over (Under) Expenditures	59,277	1,733	16,056	23,950	7,359	108,375
Fund Balance (Deficit) July 1	(42,893)	94,840	62,798	(13,311)	4,705	106,139
Fund Balance - June 30	<u>\$ 16,384</u>	<u>\$ 96,573</u>	<u>\$78,854</u>	<u>\$10,639</u>	<u>\$ 12,064</u>	<u>\$ 214,514</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1986

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Total (Memorandum Only)</u>
REVENUE:						
State Aids:						
Gas Tax	\$566,645	\$	\$	\$	\$	\$ 566,645
Transportation Safety Fees and Charges				49,118		49,118
Garbage Collection Charges		325,792				325,792
Redevelopment Fees						
Rent Stabilization Fees			73,595			73,595
Federal Grants:						
Revenue Sharing					55,441	55,441
Community Development Block Grant-Through County of San Mateo					19,593	19,593
Economic Development Administration					25,000	25,000
State Grants:						
Peace Officers Training Program					35,293	35,293
Local Grants:						
SB-789 Crime Prevention Program					33,168	33,168
Public Works Street Rehabilitation	167,690					167,690
Other Local Grants					6,725	6,725
Interest Income	2,546	663	209	69		3,487
Miscellaneous		410				410
Total Revenue	<u>\$736,881</u>	<u>\$326,865</u>	<u>\$73,804</u>	<u>\$49,187</u>	<u>\$175,220</u>	<u>\$1,361,957</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 1986

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Total (Memorandum Only)</u>
EXPENDITURES:						
Legal Services	\$	\$	\$	\$	\$ 3,895	\$ 3,895
Community Development					39,368	39,368
Public Works	1,004,051	310,872		85,622		1,400,545
Police					123,902	123,902
Community Services					3,350	3,350
Rent Stabilization			<u>47,780</u>			<u>47,780</u>
Total Expenditures	<u>1,004,051</u>	<u>310,872</u>	<u>47,780</u>	<u>85,622</u>	<u>170,515</u>	<u>1,618,840</u>
Revenue Over (Under) Expenditures	(267,170)	15,993	26,024	(36,435)	4,705	(256,883)
Transfer In					74	74
Fund Balance (Deficit) July 1	<u>224,276</u>	<u>78,848</u>	<u>36,774</u>	<u>23,124</u>	(74)	<u>362,948</u>
Fund Balance (Deficit) June 30	<u>(\$ 42,894)</u>	<u>\$ 94,841</u>	<u>\$62,798</u>	<u>(\$13,311)</u>	<u>\$ 4,705</u>	<u>\$ 106,139</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 TRUST AND AGENCY
 FOR THE FISCAL YEARS ENDED JUNE 30, 1987 AND JUNE 30, 1986

	<u>June 30, 1987</u>	<u>June 30, 1986</u>
Revenue:		
Employer's Contribution	\$ 92,044	\$101,002
Employee's Contribution	86,109	72,592
Interest Income	<u>5,607</u>	<u>4,961</u>
Total Revenue	<u>183,760</u>	<u>178,555</u>
Expenditures:		
Member Withdrawals	6,855	1,578
Termination Payouts	41,182	3,224
Interest Expense	3,082	184
Insurance	<u>2,422</u>	<u>3,019</u>
Total Expenditures	<u>53,541</u>	<u>8,005</u>
Revenue Over Expenditures	<u>130,219</u>	<u>170,550</u>
Fund Balance Reserve, July 1		
Employer's Contribution	130,559	24,780
Employee's Contribution	<u>83,557</u>	<u>18,786</u>
Total, July 1	<u>214,116</u>	<u>43,566</u>
Fund Balance Reserve, June 30		
Employer's Contribution	220,987	130,559
Employee's Contribution	<u>123,348</u>	<u>83,557</u>
Total, June 30	<u>\$344,335</u>	<u>\$214,116</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1987

Revenue:	GENERAL			SPECIAL REVENUES (Note 8)		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Tax Apportionments:						
Property Tax	\$1,431,901	\$1,555,000	(\$123,099)	\$	\$	\$
State Aid:						
Cigarette Tax	44,474	45,000	(526)			
Motor Vehicle In-Lieu Tax	800,590	700,000	100,590			
Sales Tax	196,934	240,000	(43,066)			
Gas Tax				453,063	370,000	83,063
Off-Highway License Fee				525	500	25
Other State Aid	11,463		11,463		50,000	(50,000)
Transportation Safety Fees and Charges:				113,934	30,000	83,934
Garbage Collection Charges				331,779	330,000	1,779
Garbage Administration Fee	15,896	20,000	(4,104)			
PGandE Franchise Fee	59,348	65,000	(5,652)			
Public Work Fees	64,108	10,000	54,108			
Planning Fees	3,926	30,000	(26,074)			
M.V. Trailer Fees	1,277		1,277			
Police Fees and Charges	7,737		7,737			
Redevelopment Fees	180,000	100,000	80,000	20,000	25,000	(5,000)
Planning and Engineering Fees	13,845	5,000	8,845			
Park and Recreation Fees	9,167	25,000	(15,833)			
Business License	18,363	30,000	(11,637)			
Building Permits	60,896	80,000	(19,104)			
Interest Income	48,945	50,000	(1,055)			
		5,000	(5,000)			
Rent Stabilization Fees				88,158	80,000	8,158
Federal Grants:						
Revenue Sharing				28,996		28,996
Community Development Block Grants				200,000	250,000	(50,000)
Economic Development Administration				10,000	25,000	(15,000)
Federal Urban Aid					50,000	(50,000)

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	GENERAL			SPECIAL REVENUES (Note 8)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue (Continued):						
State Grant:						
Peace Officers Training Program	\$	\$	\$	\$ 45,296	\$ 20,000	\$ 25,296
Local Grant:						
SB-789 Crime Prevention Program				13,802		13,802
Public Utilities Street Rehabilitation						
Other Local Grants				31,036	500,000	(468,964)
Miscellaneous Income	29,239	200,000	(170,761)			
Total Revenue	<u>2,998,109</u>	<u>3,160,000</u>	<u>(161,891)</u>	<u>1,336,589</u>	<u>1,730,500</u>	<u>(393,911)</u>
Expenditures:						
City Council	139,671	112,000	(27,671)			
Management Services	303,339	340,000	36,661			
Clerical Support	204,862	185,000	(19,862)			
Legal Services	127,507	102,162	(25,345)		15,000	15,000
Community Development	158,514	321,372	162,858	20,405	56,628	36,223
Public Works	521,469	383,466	(138,003)	814,341	930,645	116,304
Police	2,033,641	1,980,000	(53,641)	88,094	20,000	(68,094)
Community Services	322,347	300,000	(22,347)	25,338		(25,338)
Rent Stabilization				72,102	90,000	17,898
Capital Improvement Program				469,807	750,000	280,193
Redevelopment Agency				7,934	25,000	17,066
Contingency Reserve	49,683	60,000	10,317			
Total Expenditures	<u>3,861,033</u>	<u>3,784,000</u>	<u>(77,033)</u>	<u>1,498,021</u>	<u>1,887,273</u>	<u>389,252</u>
Revenue Over (Under)						
Expenditures	(862,924)	(624,000)	(238,924)	(161,432)	(156,773)	(4,659)
Transfer In				269,807		269,807
Transfer Out	(269,807)		(269,807)			
Fund Balances (Deficits)						
July 1	893,089	902,056	(8,967)	106,139	414,976	(308,837)
Fund Balances (Deficits)						
June 30	<u>(\$ 239,642)</u>	<u>\$ 278,056</u>	<u>(\$517,698)</u>	<u>\$ 214,514</u>	<u>\$ 258,203</u>	<u>(\$ 43,689)</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	GENERAL			SPECIAL REVENUES (Note 8)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:						
Tax Apportionments:						
Property Tax	\$1,325,306	\$1,280,000	\$ 45,306	\$	\$	\$
State Aid:						
Cigarette Tax	48,386	40,000	8,386			
Motor Vehicle In-Lieu Tax	764,277	660,000	104,277			
Sales Tax	188,045	200,000	(11,955)			
Gas Tax				566,645	365,000	201,645
Off-Highway License Fee					500	(500)
Other State Aid	11,204		11,204			
Other		75,000	(75,000)			
Transportation Safety Fees and Charges:				49,118	55,000	(5,882)
Garbage Collection Charges				325,792	325,000	792
Garbage Administration Fee	16,691	15,000	1,691			
PGandE Franchise Fee	65,702	55,000	10,702			
Public Work Fees	20,266		20,266			
Planning Fees		36,800	(36,800)			
M.V. Trailer Fees	530		530			
Police Fees and Charges	4,034		4,034			
Redevelopment Fees	111,000	111,000				
Planning and Engineering Fees	22,728	50,000	(27,272)			
Park and Recreation Fees	12,106	65,470	(53,364)			
Business License	24,918	50,000	(25,082)			
Building Permits	61,353	70,000	(8,647)			
Interest Income	121,454	50,000	71,454	4,230		4,230
Rent Stabilization Fees				73,595	88,500	(14,905)
Federal Grants:						
Revenue Sharing				55,441	78,000	(22,559)
Community Development Block Grants				1,150,545	1,071,740	78,805
Economic Development Administration				25,000	25,000	
Federal Urban Aid					100,000	(100,000)

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	GENERAL			SPECIAL REVENUES (Note 8)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue (Continued):						
State Grant:						
Peace Officers Training Program	\$	\$	\$	\$ 35,293	\$ 42,000	(\$ 6,707)
Local Grant:						
SB-789 Crime Prevention Program (SB - 325)				33,168	100,000	(66,832)
Public Utilities Street Rehabilitation				167,690	70,000	97,690
Other Local Grants				6,725	50,000	(43,275)
Miscellaneous Income	19,273	75,000	(55,727)	410		410
Total Revenue	<u>2,817,273</u>	<u>2,833,270</u>	<u>(15,997)</u>	<u>2,493,652</u>	<u>2,370,740</u>	<u>122,912</u>
Expenditures:						
City Council	147,595	124,829	(22,766)			
Management Services	322,114	327,773	5,659			
Clerical Support	205,095	262,960	57,865			
Legal Services	132,242	81,093	(51,149)	3,895	11,963	8,068
Community Development	182,448	182,872	424	39,368	33,240	(6,128)
Public Works	196,770	164,689	(32,081)	1,400,545	806,543	(594,002)
Police	1,765,470	2,220,682	455,212	123,902	42,646	(81,256)
Community Services	337,358	314,712	(22,646)	3,350	78,000	74,650
Rent Stabilization				47,780	95,716	47,936
Capital Improvement Program				1,270,069	1,185,804	(84,265)
Redevelopment Agency					50,000	50,000
Contingency Reserve	4,750	75,000	70,250			
Total Expenditures	<u>3,293,842</u>	<u>3,754,610</u>	<u>460,768</u>	<u>2,888,909</u>	<u>2,303,912</u>	<u>(584,997)</u>
Revenue Over (Under) Expenditures	(476,569)	(921,340)	444,771	(395,257)	66,828	(462,085)
Transfer In				18,341		18,341
Transfer Out	(18,341)		(18,341)			
Fund Balances (Deficits) July 1	<u>1,387,999</u>	<u>822,865</u>	<u>565,134</u>	<u>483,055</u>	<u>793,765</u>	<u>(310,710)</u>
Fund Balances (Deficits) June 30	<u>\$ 893,089</u>	<u>(\$ 98,475)</u>	<u>\$991,564</u>	<u>\$ 106,139</u>	<u>\$ 860,593</u>	<u>(\$754,454)</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1987 AND JUNE 30, 1986

NOTE 1 - DEFINITION OF FINANCIAL STATEMENT EQUITY

The City of East Palo Alto, (the City) was incorporated on July 1, 1983 pursuant to Government Code Section 56450-56451 of the Executive Officer of the Local Agency Formation Commission (LAFCO) of San Mateo County, California and County of San Mateo, Board of Supervisors Resolution No. 44269.

The aforementioned Commission and Board of Supervisors also called for the dissolution of Ravenswood Recreation and Park District (the District) and San Mateo County Service Area No. 5 effective July 2, 1983 with all assets, liabilities and fund equity of the District to be transferred to the City as of that date. Also, as of that date, activities formerly supported by the District came under the direction of the newly elected five-member City Council of the City of East Palo Alto.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation - Fund Accounting

The Accounts of the City are organized on the basis of funds or account groups, 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, liabilities, fund equity, revenue, and expenditures. The various funds are summarized by type in the financial statements. Fund types and the account group utilized by the City are described below.

Governmental Funds

- o General Fund: Established to account for all transactions not recorded in other funds. The current operations of the City are financed from this fund.
- o Special Revenue: Created to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specific purposes.

CITY OF EAST PALO ALTO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1987 AND JUNE 30, 1986

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- o Capital Projects: Created to account for all financial resources to be used for the acquisition, improvement, or construction of major capital facilities.

Fiduciary Funds

- o Trust and Agency: Established to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Account Group

- o General Fixed Assets Account Group: This account group is established to account for recorded fixed assets of the City.

(b) Basis of Accounting

The City utilized the modified accrual basis of accounting. Under the modified accrual basis, expenditures are recorded when the liability is incurred, and revenues are recorded when susceptible to accrual, i.e., both measurable and available.

(c) Fund Equity

Fund balance consists of reserved and unreserved amounts. Portions of unreserved-undesignated fund balances may be designated to indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change and the designated amounts may never be legally appropriated or result in expenditures.

NOTE 3 - DUE FROM/TO OTHER FUNDS

Represents interfund accounts between various funds maintained by the City as of June 30, 1987 and June 30, 1986 amounting to \$739,189 and \$102,733 respectively. Included in the total as of June 30, 1987 is \$284,397 the general fund owed the City's pension and retirement plan under the trust and agency fund.

CITY OF EAST PALO ALTO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1987 AND JUNE 30, 1986

NOTE 4 - DEPOSIT IN ESCROW - \$75,000

This represents an amount deposited in fiscal year 1985/86 relative to the lease of Ravenswood High School Site which was later purchased under the Community Development Block Grant through the County of San Mateo. The amount was subsequently collected including interest of \$6,557.

NOTE 5 - LAND, STRUCTURES, IMPROVEMENTS AND EQUIPMENT

As mentioned in Note 1 of this report, the City inherited all assets of the dissolved Ravenswood Recreation and Parks Department effective July 2, 1983. The City of East Palo Alto did not have complete property and equipment records reflecting the costs of property and equipment at the time they were acquired on July 2, 1983 from the dissolved district. As a result, some assets were not valued or recorded. The City contracted an appraisal agency for the purpose of appraising the properties and equipment and determine the corresponding value at the time of the acquisition.

The aforementioned property and equipment was appraised and valued at a combined total of \$1,303,938. However, the appraisal and valuation was based as of June 30, 1985 and not as of July 2, 1983, the time at which such property and equipment were acquired. As a result, some assets may be stated in excess of their values at the time of transfer from the dissolved district. Further, costs of certain assets and equipment acquired during the fiscal year 1983-84 and 1984-85 were included on the appraisal and valuation. However, values of land, and improvements and equipment presented on the combined balance sheet are composed of the following:

- (a) Land and improvements inherited from the dissolved district:
 (Based on the dissolved Ravenswood Recreation and Parks Department audited financial statements as of June 30, 1983.)

	<u>Donated Properties Estimated Values at June 30, 1987</u>	<u>Net Addition at Cost</u>	<u>Total</u>
Property known as: Jack Farrell Park, East Palo Alto	\$ 52,500	\$ 14,616	\$ 67,116
Property situated at: 550 Bell Street East Palo Alto	<u>179,400</u> <u>\$231,900</u>	<u>626,947</u> <u>\$641,563</u>	<u>806,347</u> <u>\$873,463</u>

CITY OF EAST PALO ALTO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1987 AND JUNE 30, 1986

NOTE 5 - LAND, STRUCTURES, IMPROVEMENTS AND EQUIPMENT - CONTINUED

(b) Property acquired during the prior fiscal year at cost known as Martin Luther King Park, East Palo Alto.	\$ 201,205
(c) Property acquired renovated and constructed in Fiscal Year 1985/86.	<u>1,358,432</u>
Total Land, Structures and Improvements June 30, 1986	2,433,100
(d) Property acquired renovated and constructed in Fiscal Year 1986/87	<u>455,293</u>
Total Land, Structures and Improvements June 30, 1987	<u>\$2,888,393</u>
(e) Office Furniture and Equipment	\$ 73,176
- 1985-86 Equipment Purchased	<u>8,065</u>
Total Office Furniture and Equipment June 30, 1986	81,241
- 1986-87 Equipment Purchased	<u>6,644</u>
Total Office Furniture and Equipment June 30, 1987	<u>\$ 87,885</u>

NOTE 6 - CITY OF EAST PALO ALTO RETIREMENT PLAN

The City, effective December 1, 1984, created a Salary Deferral Plan known as the City of East Palo Alto Retirement Plan. Under the plan, the City contributes 7% of the participants' base salaries. Accordingly, participants are to contribute equal to a minimum of 3 1/2% and a maximum of 13% of their gross salaries to the plan. On December 11, 1984, the City invested in Group Annuity Plan with an insurance company \$23,675 representing it's estimated contribution to the retirement plan equivalent to 7% of the gross salaries of regular City employees as of that date to cover the period from December 1, 1984 through November 30, 1985. On September 6, 1985 the City placed an additional investment of \$25,000 under the same plan. As of June 30, 1986, the amount invested with the insurance company was \$54,742 and as of June 30, 1987 was \$60,349 including interest of \$4,961 and \$5,607 respectively.

CITY OF EAST PALO ALTO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1987 AND JUNE 30, 1986

NOTE 6 - CITY OF EAST PALO ALTO RETIREMENT PLAN - CONTINUED

Under the plan, participants may elect to purchase life insurance and as of June 30, 1986 and June 30, 1987, \$3,019 and \$2,422 in life insurance premiums were incurred respectively. As of June 30, 1987, the City's general fund owed the Plan \$284,397, an amount which was not categorically funded as of that date.

NOTE 7 - ACCUMULATED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the City. Accumulated unpaid employee vacation benefits as of June 30, 1986 were \$67,621. As of June 30, 1987, the accumulated balance was \$89,550.

Accumulated employee sick leave benefits are not recognized as liabilities of the City as the rights to these benefits do not vest with the employee. Therefore, sick leave benefits are recorded as expenditures in the period that sick leaves are taken.

NOTE 8 - CAPITAL PROJECT FUND

Capital Project Fund was included and combined with the Special Revenues Fund amount on the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual for all governmental funds for fiscal years ending June 30, 1987 and June 30, 1986.

NOTE 9 - TRANSFER IN/TRANSFER OUT

This represents transfer of funds from general fund to cover unfunded expenditures incurred under capital project funds amounting to \$269,807 in 1987 and \$18,341 on 1986.

NOTE 10 - CONTINGENT LIABILITY

The City is the defendant to various lawsuits and in an event of unfavorable decision, the City's estimated financial liability could range from \$136,000 to \$315,000 including estimated attorney's fee.

NOTE 11 - BUDGETED REVENUES AND EXPENDITURES

Subsequent to the issuance of the City's 1987 and 1986 general purpose financial statements, management became aware that the combined statement of revenues, expenditures and changes in fund balance-budget and actual, all government fund types did not reflect the City's revised and approved budgeted revenues and expenditures due to inadvertent error in the information provided. The revision of the financial statements referred to above has affected the reported variances between the City's actual and budgeted revenues and expenditures for the fiscal year ending June 30, 1987 and June 30, 1986.

