

CITY OF EAST PALO ALTO
EAST PALO ALTO, CALIFORNIA
AUDIT REPORT
JUNE 30, 1988

MORRIS, DAVIS & COMPANY
Certified Public Accountants

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 audited the accompanying general purpose financial statements of the City of East Palo Alto, California (the City) as of and for the year ended June 30, 1988, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above presents fairly, in all material respects, the financial position of the City of East Palo Alto, California at June 30, 1988, and the results of its operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles.

Morris, Davis & Company
April 13, 1989

CITY OF EAST PALO ALTO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1988

	GOVERNMENTAL FUND TYPES			FIDUCIARY	General	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	FUND TYPE Trust and Agency	Fixed Assets Account Group	
ASSETS:						
Cash in Bank and on Hand	\$ 527,513	\$ 100,712	\$	\$	\$	\$ 628,225
Local Grant Receivable		67,823				67,823
Due from Federal Government		10,000				10,000
Due from State	2,913	34,097				37,010
Due from County of San Mateo	1,709	2,884				4,593
Due from Other Funds (Note 3)	64,405	955,273		318,831		1,348,509
Other Receivable	2,784					2,784
Prepaid Rent	26,983					26,983
Investments				66,208		66,208
Other Assets	1,162	513				1,675
Land, Structures and Improvements (Note 4)					3,088,393	3,088,393
Office Furniture and Equipment (Note 4)					94,462	94,462
Total Assets	<u>\$ 627,469</u>	<u>\$1,181,302</u>	<u>\$ -</u>	<u>\$385,039</u>	<u>\$3,182,855</u>	<u>\$5,376,665</u>
LIABILITIES:						
Accounts Payable	\$ 578,669	\$ 326,457	\$	\$	\$	\$ 905,126
Accrued Liabilities	64,090	2,409				66,499
Due to Other Funds (Note 3)	1,270,900	77,609				1,348,509
Other Liabilities	2,800	36				2,836
Total Liabilities	<u>1,916,459</u>	<u>406,511</u>				<u>2,322,970</u>
Deferred Income	<u>1,963</u>	<u>38,600</u>				<u>40,563</u>
FUND EQUITY:						
Investment in General Fixed Assets					3,182,855	3,182,855
Fund Balances (Deficits):						
Reserved	1,752	(5,962)		385,039		380,829
Unreserved	(1,292,705)	742,153				(550,552)
Total Fund Equity	<u>(1,290,953)</u>	<u>736,191</u>		<u>385,039</u>	<u>3,182,855</u>	<u>3,013,132</u>
Total Liabilities and Fund Equity	<u>\$ 627,469</u>	<u>\$1,181,302</u>	<u>\$ -</u>	<u>\$385,039</u>	<u>\$3,182,855</u>	<u>\$5,376,665</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1988

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Revenue:				
Tax Apportionments:				
Property Tax	\$1,504,570	\$	\$	\$1,504,570
State Aid:				
Cigarette Tax	41,069			41,069
Motor Vehicle In-Lieu Tax	852,516			852,516
Sales Tax	211,508			211,508
Gas Tax		385,903		385,903
Off-Highway License Fee		489		489
Other State Aid	4,895			4,895
Transportation Safety		92,162		92,162
Fees and Charges:				
Garbage Collection Charges		343,947		343,947
Garbage Franchise Fee	14,305			14,305
PGandE Franchise Fee	65,680			65,680
Police Post Reimbursements	10,447			10,447
M.V. Trailer Fees		486		486
Police Fees and Charges	7,337			7,337
Redevelopment Fees		267,823		267,823
Planning and Engineering Fees	30,354			30,354
Park and Recreation Fees	4,959			4,959
Business License	36,630			36,630
Building Permits	91,442			91,442
Interest Income	14,715	4,581		19,296
Rent Stabilization Fees		122,189		122,189
Federal Grants:				
Community Development Block Grants			200,000	200,000
Other Local Grants		110,000		110,000
Miscellaneous	14,618	7,500		22,118
Total Revenue	<u>2,905,045</u>	<u>1,335,080</u>	<u>200,000</u>	<u>4,440,125</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1988

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Expenditures:				
City Council	\$ 63,667	\$	\$	\$ 63,667
Management Services	349,431			349,431
Clerical Support	205,609			205,609
Legal Services	166,292			166,292
Community Development	170,290			170,290
Public Works	256,520	522,243		778,763
Police	2,132,279	85,831		2,218,110
Community Services	137,598	79,669		217,267
Rent Stabilization		114,178		114,178
Capital Improvement Program	24,989		200,000	224,989
Redevelopment Agency		333,997		333,997
Other	435			435
Total Expenditures	<u>3,507,110</u>	<u>1,135,918</u>	<u>200,000</u>	<u>4,843,028</u>
Revenue Over (Under)				
Expenditures	(602,065)	199,162		(402,903)
Transfer-In (Note 8)	1,752	59,550		61,302
Transfer-Out (Note 8)	(59,550)	(29,649)		(89,199)
Fund Balances (Deficits)				
July 1, 1987 (Note 9)	(<u>631,090</u>)	<u>507,128</u>	_____	(<u>123,962</u>)
Fund Balances (Deficits)				
June 30, 1988	(<u>\$1,290,953</u>)	<u>\$ 736,191</u>	<u>\$ -</u>	(<u>\$ 554,762</u>)

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1988

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Redevelopment Agency Fund</u>	<u>Summer Youth Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS:</u>								
Cash in Bank and on Hand	\$ 50	\$	\$	\$	\$	\$100,662	\$	\$100,712
Local Grant Receivable						67,823		67,823
Due from Federal Government					10,000			10,000
Due from State	34,097							34,097
Due from County of San Mateo				2,884				2,884
Due from Other Funds	518,779	270,305	138,914	26,135	3,770		7,370	965,273
Other Assets						513		513
Total Assets	<u>\$552,926</u>	<u>\$270,305</u>	<u>\$138,914</u>	<u>\$29,019</u>	<u>\$13,770</u>	<u>\$168,998</u>	<u>\$7,370</u>	<u>\$1,181,302</u>
<u>LIABILITIES:</u>								
Accounts Payable	\$ 33,188	\$158,040	\$ 9,420	\$10,535	\$	\$115,274	\$	\$326,457
Accrued Liabilities			310			2,099		2,409
Other Liabilities			36					36
Due to Other Funds	<u>2,799</u>	<u>999</u>	<u>3,158</u>	<u>108</u>	<u>12,958</u>	<u>57,587</u>		<u>77,609</u>
Total Liabilities	35,987	159,039	12,924	10,643	12,958	174,960		406,511
Deferred Income			38,600					38,600
<u>FUND EQUITY:</u>								
Fund Balances (Deficit)								
- Reserved						(5,962)		(5,962)
- Unreserved	<u>516,939</u>	<u>111,266</u>	<u>87,390</u>	<u>18,376</u>	<u>812</u>		<u>7,370</u>	<u>742,153</u>
Total Liabilities and Fund Balances	<u>\$552,926</u>	<u>\$270,305</u>	<u>\$138,914</u>	<u>\$29,019</u>	<u>\$13,770</u>	<u>\$168,998</u>	<u>\$7,370</u>	<u>\$1,181,302</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Redevelopment Agency Fund</u>	<u>Summer Youth Fund</u>	<u>Total (Memorandum Only)</u>
<u>REVENUE:</u>								
State Aids:								
Gas Tax	\$385,903	\$	\$	\$	\$	\$	\$	\$ 385,903
Off Highway License Fee				489				489
Transportation Safety Fees and Charges				92,162				92,162
Garbage Collection Charges		343,947						343,947
Redevelopment Fees						267,823		267,823
Rent Stabilization Fees			122,189					122,189
M. V. Trailer Fees				486				486
Interest Income	1,496	1,465	526	432		662		4,581
Miscellaneous							7,500	7,500
Local Grants					110,000			110,000
Total Revenue	<u>387,399</u>	<u>345,412</u>	<u>122,715</u>	<u>93,569</u>	<u>110,000</u>	<u>268,485</u>	<u>7,500</u>	<u>1,335,080</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1988

	<u>Gas Tax Fund</u>	<u>Garbage Fund</u>	<u>Rent Stabilization</u>	<u>Transportation Safety</u>	<u>Grant Fund</u>	<u>Redevelopment Agency Fund</u>	<u>Summer Youth Fund</u>	<u>Total (Memorandum Only)</u>
EXPENDITURES:								
Public Works	\$192,446	\$329,797	\$	\$	\$	\$	\$	\$ 522,243
Police				85,831				85,331
Community Services					79,539		130	79,569
Rent Stabilization			114,178					114,178
Redevelopment Agency						333,997		333,997
Total Expenditures	<u>192,446</u>	<u>329,797</u>	<u>114,178</u>	<u>85,831</u>	<u>79,539</u>	<u>333,997</u>	<u>130</u>	<u>1,135,918</u>
Revenue Over (Under)								
Expenditures	194,953	15,615	8,537	7,738	30,461	(65,512)	7,370	199,162
Transfer-Out					(29,649)			(29,549)
Transfer-In						59,550		59,550
Fund Balances July 1, 1987 (Note 9)	<u>321,985</u>	<u>95,651</u>	<u>78,854</u>	<u>10,638</u>	<u> </u>	<u> </u>	<u> </u>	<u>507,128</u>
Fund Balances (Deficit) June 30, 1988	<u>\$516,938</u>	<u>\$111,266</u>	<u>\$ 87,391</u>	<u>\$18,376</u>	<u>\$ 812</u>	<u>(\$ 5,962)</u>	<u>\$7,370</u>	<u>\$ 736,191</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 YEAR ENDED JUNE 30, 1988

Revenue:

Employer's Contribution	\$ 10,532
Employees' Contribution	90,349
Interest Income	<u>5,859</u>
Total Revenue	<u>106,740</u>

Expenditures:

Member Withdrawals	83,666
Interest Expense	11,653
Insurance	<u>264</u>
Total Expenditures	<u>95,583</u>

Revenue Over Expenditures 11,157

Fund Balance Reserve, July 1, 1987

Employer's Contribution	220,987
Employees' Contribution	<u>152,895</u>
Total, July 1, 1987	<u>373,882</u>

Fund Balance Reserve, June 30, 1988

Employer's Contribution	219,865
Employees' Contribution	<u>165,174</u>
Total, June 30, 1988	<u>\$385,039</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1988

	GENERAL			SPECIAL REVENUE (Note 7)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:						
Tax Apportionments:						
Property Tax	\$1,504,570	\$1,478,894	\$ 25,676	\$	\$	\$
State Aid:						
Cigarette Tax	41,069	40,000	1,069			
Motor Vehicle In-Lieu Tax	852,516	892,887	(40,371)			
Sales Tax	211,508	191,995	19,513			
Gas Tax				385,903	381,380	4,523
Off-Highway License Fee				489		489
Other State Aid	4,895		4,895			
Transportation Safety				92,162	96,500	(4,338)
Fees and Charges:						
Garbage Collection Charges				343,947	335,000	8,947
Garbage Franchise Fee	14,305	16,800	(2,495)			
PGandE Franchise Fee	65,680	59,500	6,180			
Police Post Reimbursements	10,447		10,447			
M.V. Trailer Fees				486		486
Police Fees and Charges	7,337		7,337			
Redevelopment Fees				267,823	266,000	1,823
Planning and Engineering Fees	30,354	15,000	15,354			
Park and Recreation Fees	4,959	10,700	(5,741)			
Business License	36,630	25,000	11,630			
Building Permits	91,442	52,000	39,442			
Interest Income	14,715	10,000	4,715	4,581		4,581
Miscellaneous Fees	332	31,000	(30,668)			
Rent Stabilization Fees				122,189	159,000	(36,811)
Federal Grants:						
Community Development Block Grants				200,000	200,000	

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1988

	GENERAL			SPECIAL REVENUE (Note 7)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenue (Continued):						
State Grant:						
San Mateo County Senior Needs Assessment Study	\$	\$	\$	\$	\$ 149,000	(\$149,000)
Local Grant:						
State Parks and Recreation					2,500	(2,500)
Other Local Grants				110,000	110,000	
Miscellaneous Income	14,286	2,295	11,991	7,500		7,500
Total Revenue	<u>2,905,045</u>	<u>2,826,071</u>	<u>78,974</u>	<u>1,535,080</u>	<u>1,699,380</u>	<u>(164,300)</u>
Expenditures:						
City Council	63,667	83,870	20,203			
Management Services	349,431	305,414	(44,017)			
Clerical Support	205,609	187,209	(18,400)			
Legal Services	166,292	66,221	(100,071)		17,798	17,798
Community Development	170,290	160,034	(10,256)			
Public Works	256,520	220,717	(35,803)	522,243	722,403	200,162
Police	2,132,279	1,895,851	(236,428)	85,831	96,500	10,669
Community Services	137,598	171,525	33,927	79,669	97,365	17,696
Rent Stabilization				114,178	91,148	(23,030)
Capital Improvement Program	24,989		(24,989)	200,000	342,977	142,977
Redevelopment Agency				333,997	257,532	(76,465)
Others	435		(435)			
Total Expenditures	<u>3,507,110</u>	<u>3,090,841</u>	<u>(416,269)</u>	<u>1,335,918</u>	<u>1,625,723</u>	<u>289,807</u>
Revenue Over (Under)						
Expenditures	(602,065)	(264,770)	(337,295)	199,162	73,657	125,505
Transfer In	1,752		1,752	59,550		59,550
Transfer Out	(59,550)		(59,550)	(29,649)		(29,649)
Fund Balances (Deficits)						
July 1, 1987 (Note 9)	(631,090)	601,543	(1,232,633)	507,128	214,534	292,594
Fund Balances (Deficits)						
June 30, 1988						
Reserved	1,752		1,752			
Unreserved	(1,292,705)	336,773	(1,629,478)	736,191	288,191	448,000
Total	<u>(\$1,290,953)</u>	<u>\$ 336,773</u>	<u>\$1,627,726</u>	<u>\$ 736,191</u>	<u>\$ 288,191</u>	<u>\$448,000</u>

See accompanying notes to general purpose financial statements.

CITY OF EAST PALO ALTO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1988

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, 1988

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, 1988 amounting to \$1,348,509. Included in the total as of June 30, 1988 is \$318,831 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, 1988

NOTE 4 - LAND, STRUCTURES, IMPROVEMENTS, OFFICE FURNITURE 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</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	179,400 <u>\$231,900</u>	626,947 <u>\$641,563</u>	806,347 <u>\$873,463</u>

CITY OF EAST PALO ALTO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1988

NOTE 4 - LAND, STRUCTURES, IMPROVEMENTS, OFFICE FURNITURE AND EQUIPMENT - CONTINUED

(b) Property acquired at cost known as Martin Luther King Park, East Palo Alto.	\$ 201,205
(c) Property acquired/renovated and constructed in Fiscal Year 1985/86.	1,358,432
(d) Property acquired/renovated and constructed in Fiscal Year 1986/87	<u>455,293</u>
Total Land, Structures and Improvements June 30, 1987	2,888,393
(e) Property Purchased in fiscal year 1987/88	<u>200,000</u>
Total Land, Structures and Improvements June 30, 1988	<u>\$3,088,393</u>
(f) Office Furniture and Equipment June 30, 1987	\$ 87,885
Equipment Purchased in fiscal year 1987/88	<u>6,577</u>
Total Office Furniture and Equipment June 30, 1988	<u>\$ 94,462</u>

NOTE 5 - 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 its 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, 1988, the amount invested with the insurance company was \$66,208 including interest of \$5,859 earned during the year.

As of June 30, 1988, the City's general fund owed the Plan \$318,831, an amount which was not categorically funded as of that date.

CITY OF EAST PALO ALTO
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NOTE 6 - 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, 1988 were \$64,090.

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 7 - CAPITAL PROJECT FUND

Capital Project Fund was included and combined with the Special Revenue Fund amount on the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual for all governmental funds for comparative purposes.

NOTE 8 - TRANSFER-IN/TRANSFER-OUT

- a) Transfer-In - Represents narcotic fund account lodged under the general fund's reserve fund balance.
- b) Transfer-Out
 - 1. \$59,550 - Amount transferred from general fund to cover unfunded expenditures under the redevelopment fund.
 - 2. \$29,649 - Represents pay-outs under the youth development center fund to the agency that took over the administration and operation of youth development activities.

NOTE 9 - FUND BALANCE (DEFICIT), JULY 1, 1987

The following comprise the adjustments and reclassifications during the year which affected the beginning fund balance (deficit).

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NOTE 9 - FUND BALANCE (DEFICIT), JULY 1, 1987 - Continued

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund Balance (Deficit) July 1, 1987	(\$239,642)	\$214,514
Adjustments and reclassifications:		
(1) Transfer of unidentified funds from the County of San Mateo in 1984/85 presumed to be general funds, later determined as special revenue funds (Gas tax).	(301,980)	301,980
(2) Unidentified revenue recorded in the prior year in the general fund, determined and recognized by the appropriate fund at year end.	(69,553)	
(3) Total unrecorded prior year expenses	(41,218)	
(4) Miscellaneous adjustments (Net)	<u>21,303</u>	(<u>9,366</u>)
Total	<u>(\$631,090)</u>	<u>\$507,128</u>

NOTE 10 - CONTINGENT LIABILITY

The City is the defendant to various lawsuits. If there is an unfavorable decision, the City's estimated financial liability is not expected to exceed \$25,000.