

CITY OF EAST PALO ALTO
EAST PALO ALTO, CALIFORNIA
AUDIT REPORT
JUNE 30, 1985

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 examined the general purpose financial statements of the City of East Palo Alto (the City) as of and for the year ended June 30, 1985, 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.

In our opinion, the general purpose financial statements referred to above presents fairly the financial position of the City of East Palo Alto at June 30, 1985, and the results of its operations and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Morris, Davis & Company

June 13, 1986

CITY OF EAST PALO ALTO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1985

	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	\$ 454,229	\$ 350,590	\$ 37,852	\$ -	\$ -	\$ 842,671
Due from State	60,100	128,778	-	-	-	188,878
Due from County of San Mateo	40,169	194,440	-	-	-	234,609
Due from Other Funds (Note 3)	249,704	-	9	22,223	-	271,936
Loan Receivable (Note 4)	50,000	-	-	-	-	50,000
Interest Receivable	3,220	2,185	533	-	-	5,938
Investments (Note 6)	715,530	500,000	100,000	24,780	-	1,340,310
Construction in Progress (Note 5)	-	-	-	-	89,591	89,591
Land and Improvement (Note 5)	-	-	-	-	1,074,668	1,074,668
Equipment (Note 5)	-	-	-	-	73,176	73,176
Total Assets	\$1,572,952	\$1,175,993	\$138,394	\$47,003	\$1,237,435	\$4,171,777

See accompanying notes to financial statements.

CITY OF EAST PALO ALTO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1985

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	General Fixed Assets Account Group	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Trust and Agency		
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts Payable	\$ 426,846	\$ 254,078	\$ 5,532	\$ -	\$ -	\$ 686,456
Accrued Liabilities	54,842	3,051	-	-	-	57,893
Due to Other Funds (Note 3)	22,223	249,713	-	-	-	271,936
Other Liabilities	-	-	-	3,436	-	3,436
Total Liabilities	503,911	506,842	5,532	3,436	-	1,019,721
FUND EQUITY:						
Investment in General Fixed Assets	-	-	-	-	1,237,435	1,237,435
Fund Balances:						
Reserve	-	-	-	43,567	-	43,567
Unreserved	1,069,041	669,151	132,862	-	-	1,871,054
Total Fund Equity	1,069,041	669,151	132,862	43,567	1,237,435	3,152,056
Total Liabilities and Fund Equity	\$1,572,952	\$1,175,993	\$138,394	\$47,003	\$1,237,435	\$4,171,777

See accompanying notes to financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>General</u>	<u>Special Revenues</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Revenue:				
Tax Apportionments:				
Property Tax	\$1,210,256	\$	\$	\$1,210,256
State Aid:				
Cigarette Tax	46,453			46,453
Motor Vehicle and License Tax	625,003			625,003
Sales Tax	200,093			200,093
Gas Tax		379,494		379,494
Off-Highway License Fee		493		493
Other State Aid	48,004			48,004
Transportation Safety Garbage Collection		21,127		21,127
Charges Garbage Administration		309,200		309,200
Franchise Fees	67,213			67,213
Building Permits	17,188			17,188
Planning Fees	44,324			44,324
Park and Recreation Fees	4,872			4,872
Rent Stabilization Fees		76,471		76,471
Trailer Coach Fee		984		984
Federal Grants:				
Revenue Sharing		116,432		116,432
Community Development Block Grants		219,741		219,741
State Grant:				
Land and Water Conser- vation Fund		98,400		98,400
Local Grant:				
SB-789 Crime Prevention Program		37,164		37,164
Other Local Grants	11,400			11,400
Miscellaneous	<u>140,975</u>	<u>56,022</u>	<u>9,214</u>	<u>206,211</u>
 Total Revenue	 <u>\$2,415,781</u>	 <u>\$1,315,528</u>	 <u>\$ 9,214</u>	 <u>\$3,740,523</u>

See accompanying notes to financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>General</u>	<u>Special Revenues</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Expenditures:				
City Council	\$ 41,782	\$	\$	\$ 41,782
Management Support	231,030			231,030
Clerical Support	111,337			111,337
Legal Services	67,097			67,097
Community Development	109,862	84,429		194,291
Public Works	70,046	634,360		704,406
Police	1,592,144	37,164		1,629,308
Community Services	89,955	116,432		206,387
Rent Stabilization Program		37,141		37,141
Capital Improvement Program	73,242	233,812	8,337	315,391
Contingency Reserve	<u>71,275</u>			<u>71,275</u>
Total Expenditures	<u>2,457,770</u>	<u>1,143,338</u>	<u>8,337</u>	<u>3,609,445</u>
Excess Revenue Over (Under) Expenditures	(<u>41,989</u>)	<u>172,190</u>	<u>877</u>	<u>131,078</u>
Fund Balances July 1, 1984				
Reserved	-	-	-	-
Unreserved	1,111,030 *	496,961	131,985	1,739,976
Total	<u>1,111,030</u>	<u>496,961</u>	<u>131,985</u>	<u>1,739,976</u>
Fund Balances June 30, 1985				
Reserved	-	-	-	-
Unreserved	1,069,041	669,151	132,862	1,871,054
Total	<u>\$1,069,041</u>	<u>\$ 669,151</u>	<u>\$132,862</u>	<u>\$1,871,054</u>

* Includes adjustments of \$35,100 (CDBG) and others of \$6,176.

See accompanying notes to financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 FIDUCIARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>Trust and Agency</u>
Revenue:	
Employer's Contributions	\$26,238
Employee's Contributions	17,473
Interest Income	<u>1,105</u>
Total Revenue	44,816
Expenditures:	
Insurance	<u>1,249</u>
Increase in Fund Balance	<u>43,567</u>
Fund Balance, July 1, 1984	
Reserved	-
Unreserved	<u>-</u>
Total	<u>-</u>
Fund Balance, June 30, 1985	
Reserved for employees retirement system	43,567
Unreserved	<u>-</u>
Total	<u>\$43,567</u>

See accompanying notes to 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, 1985

Revenue:	GENERAL			SPECIAL REVENUES		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Tax Apportionments:						
Property Tax	\$1,176,422	\$1,210,256	\$ 33,834	\$	\$	\$
State Aid:						
Cigarette Tax	42,000	46,453	4,453			
Motor Vehicle and License Tax	625,987	625,003	(984)			
Sales Tax	80,000	200,093	120,093			
Gas Tax				358,775	379,494	20,719
Off-Highway License Fee				300	493	193
Other State Aid		48,004	48,004			
Transportation Safety				3,500	21,127	17,627
Garbage Collection Charges					309,200	309,200
Garbage Administration	10,000		(10,000)			
Franchise Fees	67,000	67,213	213			
Building Permits	50,000	17,188	(32,812)			
Planning Fees	8,500	44,324	35,824			
Park and Recreation Fees	5,000	4,872	(128)			
Rent Stabilization Fees				119,220	76,471	(42,749)
Trailer Coach Fee				-	984	984
Federal Grants:						
Revenue Sharing				115,500	116,432	932
Community Development Block Grants				1,130,643	219,741	(910,902)
State Grant:						
Land and Water Conservation Fund					98,400	98,400
Local Grant:						
SB-789 Crime Prevention Program				41,670	37,164	(4,506)
Other Local Grants		11,400	11,400			
Miscellaneous Income	475,000	140,975	(334,025)		56,022	56,022
Total Revenue	\$2,539,909	\$2,415,781	(\$124,128)	\$1,769,608	\$1,315,528	(\$ 454,080)

See accompanying notes to 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, 1985

	CAPITAL PROJECTS			TOTAL (MEMORANDUM ONLY)		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:						
Tax Apportionments:						
Property Tax	\$	\$	\$	\$1,176,422	\$1,210,256	\$ 33,834
State Aid:						
Cigarette Tax				42,000	46,453	4,453
Motor Vehicle and License Tax				625,987	625,003	(984)
Sales Tax				80,000	200,093	120,093
Gas Tax				358,775	379,494	20,719
Off-Highway License Fee				300	493	193
Other State Aid					48,004	48,004
Transportation Safety				3,500	21,127	17,627
Garbage Collection Charges					309,200	309,200
Garbage Administration				10,000		(10,000)
Franchise Fees				67,000	67,213	213
Building Permits				50,000	17,188	(32,812)
Planning Fees				8,500	44,324	35,824
Park and Recreation Fees				5,000	4,872	(128)
Rent Stabilization Fees				119,220	76,471	(42,749)
Trailer Coach Fee					984	984
Federal Grants:						
Revenue Sharing				115,500	116,432	932
Community Development Block Grants				1,130,643	219,741	(910,902)
State Grant:						
Land and Water Conservation Fund					98,400	98,400
Local Grant:						
SB-789 Crime Prevention Program				41,670	37,164	(4,506)
Other Local Grants					11,400	11,400
Miscellaneous	-	9,214	9,214	475,000	206,211	(268,789)
Total Revenue	\$ -	\$9,214	\$9,214	\$4,309,517	\$3,740,523	(\$568,994)

See accompanying notes to 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, 1985

	GENERAL			SPECIAL REVENUE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:						
City Council	\$ 54,150	\$ 41,782	\$ 12,368	\$ -	\$ -	\$ -
Management Support	301,215	231,030	70,185			
Clerical Support	145,000	111,337	33,663			
Legal Services	87,360	67,097	20,263			
Community Development	143,268	109,862	33,406	300,000	84,429	215,571
Public Works	91,603	70,046	21,557	309,379	634,360	(324,981)
Police	2,074,941	1,592,144	482,797	41,670	37,164	4,506
Community Services	117,394	89,955	27,439	115,500	116,432	(932)
Rent Stabilization Program				119,220	37,141	82,079
Capital Improvement Program	95,357	73,242	22,115	883,839	233,812	650,027
Contingency Reserve	93,000	71,275	21,725			
Total Expenditures	3,203,288	2,457,770	745,518	1,769,608	1,143,338	626,270
Excess Revenue Over (Under) Expenditures	(663,379)	(41,989)	621,390	-	172,190	172,190
Fund Balances July 1, 1984						
Reserved	-	-	-	-	-	-
Unreserved	1,163,379	1,111,030	(52,349)	482,617	496,961	14,344
Total	1,163,379	1,111,030	(52,349)	482,617	496,961	14,344
Fund Balances June 30, 1985						
Reserved	-	-	-	-	-	-
Unreserved	500,000	1,069,041	569,041	482,617	669,151	186,534
Total	\$ 500,000	\$ 1,069,041	\$ 569,041	\$ 482,617	\$ 669,151	\$ 186,534

See accompanying notes to 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, 1985

	CAPITAL PROJECTS			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:						
City Council	\$	\$	\$	\$ 54,150	\$ 41,782	\$ 12,368
Management Support				301,215	231,030	70,185
Clerical Support				145,000	111,337	33,663
Legal Services				87,360	67,097	20,263
Community Development				443,268	194,291	248,977
Public Works				400,982	704,406	(303,424)
Police				2,116,611	1,629,308	487,303
Community Services				232,894	206,387	26,507
Rent Stabilization Program				119,220	37,141	82,079
Capital Improvement Program		8,337	(8,337)	979,196	315,391	663,805
Contingency Reserve				93,000	71,275	21,725
Total Expenditures		<u>8,337</u>	<u>(8,337)</u>	<u>4,972,896</u>	<u>3,609,445</u>	<u>1,363,451</u>
Excess Revenue Over (Under) Expenditures		<u>877</u>	<u>877</u>	<u>(663,379)</u>	<u>131,078</u>	<u>794,457</u>
Fund Balances July 1, 1984						
Reserved	-	-	-	-	-	-
Unreserved		131,985	131,985	1,645,996	1,739,976	93,980
Total		<u>131,985</u>	<u>131,985</u>	<u>1,645,996</u>	<u>1,739,976</u>	<u>93,980</u>
Fund Balances June 30, 1985						
Reserved	-	-	-	-	-	-
Unreserved		132,862	132,862	982,617	1,871,054	888,437
Total	<u>\$ -</u>	<u>\$ 132,862</u>	<u>\$ 132,862</u>	<u>982,617</u>	<u>\$ 1,871,054</u>	<u>\$ 888,437</u>

See accompanying notes to financial statements.

CITY OF EAST PALO ALTO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FIDUCIARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1985

	<u>Trust and Agency</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Employer's Contributions	\$ -	\$26,238	\$26,238
Employee's Contributions	-	17,473	17,473
Interest Income	<u>-</u>	<u>1,105</u>	<u>1,105</u>
Total Revenue	-	44,816	44,816
Expenditures:			
Insurance	<u>-</u>	<u>1,249</u>	(<u>1,249</u>)
Increase in Fund Balance	<u>-</u>	<u>43,567</u>	<u>43,567</u>
Fund Balance, July 1, 1984			
Reserved	-	-	-
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 1985			
Reserved for employees retirement system	-	43,567	43,567
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$43,567</u>	<u>\$43,567</u>

See accompanying notes to financial statements.

CITY OF EAST PALO ALTO
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1985

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 COMBINED FINANCIAL STATEMENTS
JUNE 30, 1985

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 - \$271,936

Represents interfund accounts of various funds maintained by the City as of June 30, 1985.

CITY OF EAST PALO ALTO
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1985

NOTE 4 - LOANS RECEIVABLE - \$50,000

Represents an amount loaned to a health clinic authorized by the City Council as of June 30, 1985. The amount was subsequently collected by the City.

NOTE 5 - CONSTRUCTION IN PROGRESS, LAND AND 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 said properties 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 properties 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)

CITY OF EAST PALO ALTO
 NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 1985

NOTE 5 - CONSTRUCTION IN PROGRESS, LAND AND IMPROVEMENTS AND
 EQUIPMENT - Continued

	<u>Donated Properties Estimated Values at June 30, 1985</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>
(b) Property acquired during the current fiscal year at costs known as Martin Luther King Park, East Palo Alto			<u>201,205</u>
Total			<u>\$1,074,668</u>
(c) Equipment purchased during fiscal year 1983-84 (at cost)			\$ 6,306
(d) Equipment purchased during current fiscal year (at cost)			<u>66,870</u>
Total			<u>\$73,176</u>
(e) Construction in progress - at costs - <u>\$89,591</u> . Represents costs of construction in progress relative to the Ravenswood Recreational Center Improvement Project located at 550 Bell Street, East Palo Alto, California.			

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

CITY OF EAST PALO ALTO
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1985

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

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. As of June 30, 1985, the amount invested with the insurance company amounted to \$24,780, including interest earned of \$1,105. As of June 30, 1985, the City has withheld \$17,473 from the gross salaries of the City's regular employees under the plan and was deposited into the general fund's bank account. Also, under the plan, participants may elect to purchase life insurance and as of June 30, 1985, \$1,249 in life insurance premium expenses was incurred.

As of June 13, 1986, the City was finalizing the plan and no final agreement or policy procedures had been effected relative to the City of East Palo Alto Retirement Plan.

The following were the contributions relating to the plan during this fiscal year ended June 30, 1985:

	<u>AMOUNT</u>
City's Contribution	\$26,238
Employee's Contribution	17,473
Total	<u>\$43,711</u>

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, 1985 amounted to \$1,862.

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.