

# **Comprehensive Annual Financial Report For the Year Ended June 30, 2015**





# City of East Palo Alto

East Palo Alto, California

*Comprehensive Annual Financial Report*

*For the year ended June 30, 2015*

Prepared by:  
Finance Department



**City of East Palo Alto  
 Comprehensive Annual Financial Report  
 For the year ended June 30, 2015**

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**CITY OF EAST PALO ALTO  
DEPARTMENT OF FINANCE**

December 23, 2015

Honorable Mayor Donna Rutherford  
Honorable Vice Mayor Larry Moody  
Members of the City Council  
City Manager, and Citizens of the  
City of East Palo Alto, California

**THE COMPREHENSIVE ANNUAL FINANCIAL  
REPORT OF THE CITY OF EAST PALO ALTO**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of East Palo Alto for the fiscal year ended June 30, 2015. It is the policy of the City of East Palo Alto to annually publish financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. This CAFR report is published to fulfill that requirement.

Management assumes full responsibility for the accuracy of the information contained in this report. We believe this CAFR to be complete and reliable in all material respects. In order to provide a reasonable basis for making this representation, we have established a comprehensive framework of internal controls. These controls are designed to protect the City's assets from loss, theft, or misuse and to record and compile the information necessary to produce financial statements in conformity with generally accepted accounting principles. Since the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by an independent firm of Certified Public Accountants, Badawi & Associates, licensed to practice in the State of California. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2015 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is most

commonly known as an “unqualified” or “clean” opinion. The auditor’s report is located in the Financial Section of this report.

In addition, Badawi & Associates will audit the City’s major program expenditures of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget (OMB) Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City’s Finance Department.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion & Analysis (MD&A). The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

## **REPORTING ENTITY**

The City of East Palo Alto was incorporated in 1983. It is located in San Mateo County on the Peninsula in the Greater San Francisco Bay Area. It is in a desirable setting, with enviable weather, and well situated among three major metropolitan cities: San Jose, Oakland, and San Francisco. The City borders Menlo Park to the north, Palo Alto to the west and south, and the San Francisco Bay to the east. East Palo Alto currently occupies 2.5 square miles and has a population of approximately 29,137.

East Palo Alto operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing body (City Council) consisting of the Mayor, the Vice-mayor and three other members. The City Council appoints the government’s chief executive (known as City Manager), who in turn appoints the Directors of the various City departments; except for the City Attorney who is also appointed by the City Council. City Council members are elected by voters to serve overlapping four-year terms. The Mayor and Vice-Mayor are appointed by majority vote of the City Council on an annual basis to serve a one-year term. There are currently four Advisory Boards and Commissions that are appointed by the City Council: Rent Stabilization Board, Planning Commission, Public Works and Transportation Commission, and Senior Advisory Board. In addition, the City Council appoints other advisory bodies such as the Measure C Oversight Committee.

The City Council is required to adopt a final budget on an annual basis which is passed by June 30<sup>th</sup> of each year. The annual budget serves as the foundation for the City of East Palo Alto’s financial planning and control. The budget is prepared by fund and

function. Transfers between departments require City Manager approval. However, transfers between funds require approval from the City Council.

The City of East Palo Alto provides a range of basic municipal services. These services include public safety police services, public works and maintenance, limited parks and recreation activities, planning and zoning, limited housing and rent stabilization services, community development, lighting, drainage, refuse collection, water distribution system capital maintenance, and general administrative services.

The City also has an extensive base of community volunteers, religious organizations, philanthropists, and social activists. These organizations provide a wide range of services and enrichment activities and create a sense of community for our citizens.

The CAFR includes all funds of the City, as well as all governmental organizations and activities for which the City Council has financial and/or fiduciary accountability. The Council serves in separate session as the governing body of the East Palo Alto Public Financing Authority; and, the Successor Agency to the former Redevelopment Agency of the City of East Palo Alto, for which it has fiduciary responsibility.

## **ECONOMIC CONDITION AND FISCAL OUTLOOK**

Aspects of the City's local economy are on pace for full recovery from the "Great Recession". Recent economic activity reflects participation in the Silicon Valley region economics at levels not experienced in the past. For instance, the City's unemployment rate typically has been approximately 2.4 times the unemployment rate in San Mateo County (County). The City's current unemployment rate of 5.1% now stands at only 1.6 times the County rate of 3.2%.

Assessed property values in fiscal year 2014-15 totaled \$2.13 billion - near the record high of \$2.37 billion set in fiscal year 2008-09. However, the pace in growth is naturally expected to level down significantly from recent trends averaging 7.5%. Overall, the California measured consumer price index at less than 2% and potential property tax appeals will dampen valuations in 2016-17; however, these effects will be alleviated by development activity, strong housing sales, and projected growth in median housing prices.

Base sales tax revenues rebounded in fiscal year 2010-11 and currently total approximately \$3.7 million. Sales tax revenues continue to surpass the pre-recession high of \$2.7 million set in fiscal year 2005-06. Recent trends indicate an expected leveling of year-over-year gains; but strong retail growth, offset by weakened gas and fuel-related markets, is forecasted to result in continued near-term growth of approximately 3%.

Increased economic and development activity can also be seen in higher than average transient occupancy tax, business license, and permits and plan review fee revenues.

These indicators of economic recovery and expansion must be balanced in consideration of the critical, entrenched issues facing the City today. While the City is poised to be the object of intense development interest as a result of available undeveloped land and our proximity to major Silicon Valley technology employers; we also must continue to address the challenges to realizing future progress, including: lack of funding for decades of deferred infrastructure, particularly in critical water supply/distribution and storm drain systems; low City staffing and pay levels; and, a community whose per capita income level remains firmly below that of San Mateo County at \$20,438 and \$77,414, respectively. For our citizens, particularly, East Palo Alto is at the heart of California's looming issues related to income disparity and rapidly rising housing and rental prices.

## **LONG TERM FINANCIAL PLANNING**

As part of a strategic budget planning process, management annually presents a multi-year financial projection to City Council. This document is intended to provide the City Council with the opportunity to plan for the management of financial resources and to address forecasted financial challenges. The plan calls for the City to exercise financial "best practices," including achieving a minimum General Fund contingency reserve of 15% of budgeted operating expenditures. As of June 30, 2015, the City Council fully funded it reserve at \$2.743 million, representing approximately 15.9% of budgeted General Fund expenditures. The purpose of the reserve is to provide the City with fiscal capacity for responding to emergencies and economic uncertainties and vulnerabilities, thereby minimizing the impact on service levels to the community during such challenging times.

## **FINANCIAL POLICIES AND INFORMATION**

### **Budgetary Controls**

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Annual Budget and approved by the City Council. The level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

### **Single Audit**

As a recipient of Federal, State, and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs.

Internal controls are subject to periodic evaluation by management and the City's independent auditors.

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over major Federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

### **Major Initiatives**

Major initiatives for the year were developed through both the budget planning process and with the guidance of the City Council as articulated through its Strategic Priorities process, as follows:

Enhance Public Safety and Emergency Preparedness: This set of initiative includes goals for implementing a long-term crime and violence reduction programs and conducting public education and outreach on fire safety and emergency preparation.

Enhance Economic Vitality: This set of initiatives includes goals to continue with the dissolution process for the former redevelopment agency, facilitating the permitting of the University Plaza project, setting aside capital improvements resources, and developing appropriate development impact fees.

Increase Organizational Effectiveness and Efficiency: These goals include the development of a long-term financial plan and addressing the future structural deficit, and acquiring systems to improve efficiencies and effectiveness.

Improve Public Facilities and Infrastructure: These goals pertain to completion of street, sidewalk, and bicycle-related infrastructure, exploring options for City facilities, developing additional water supply and enhancing the water system, and enhancing flood protection for the City's residents.

Improve Communication and Enhance Community Engagement: This set of objectives includes goals to develop and implement a website management plan, developing a communications plan, and fostering community cultural events and activities.

Create a Healthy and Safe Community: This set of objectives includes goals to improve pedestrian and bicycle access safety, fully implement the Rent Stabilization program, develop a comprehensive Healthy Community Plan, and develop a parks master plan.

The City made notable progress in all strategic areas, particularly in the following areas:

- *The City experienced a 64% drop in crime rates from 2013 to 2014, and current community policing and intervention actions continue to support improved crime statistics to today. City also engaged in significant emergency preparedness measures.*

- *University Plaza and Montage Homes are under construction and will add an estimated \$65 million and \$33 million, respectively, in assessed valuation by 2017-18.*
- *Initiated a plan to present options for a tax measure in fiscal year 2016-17. Achievement of this goal is critical for the long-term sustainability of current service levels, capital investment, and program funding.*
- *Approved water capital and meter replacement surcharges effective September 2015. Additionally, the City has been successful in obtaining significant water-infrastructure grant funding.*

## **AWARDS AND ACKNOWLEDGEMENTS**

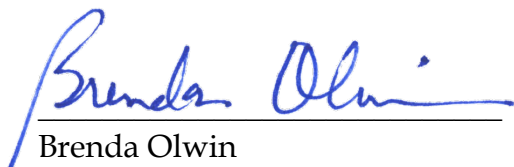
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the sixth year the City applied for and received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, in conformance with program standards. Such report must satisfy generally accepted accounting principles as well as all applicable legal requirements

The Certificate of Achievement is valid for one year only. The City believes this CAFR conforms to the GFOA Certificate of Achievement Program and will submit the report to the GFOA for consideration of the annual award.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the entire staff of the Finance Department each of whom demonstrated exemplary personal dedication, including many long hours spent producing this document. Special thanks are extended to Paul Maumalanga for his leadership and perseverance in overseeing this process.

Finally, the Finance Department wishes to express our sincere appreciation to the Mayor, Vice Mayor, and City Council for providing policy direction and support for the pursuit of excellence in attaining the City's goals.

Respectfully submitted,

  
Brenda Olwin  
Finance Director



# CITY OF EAST PALO ALTO

## DIRECTORY OF OFFICIALS

### City Council

Donna Rutherford..... Mayor  
Larry Moody..... Vice Mayor  
Ruben Abrica..... Councilmember  
Lisa Gauthier..... Councilmember  
Carlos Romero..... Councilmember

### Administration

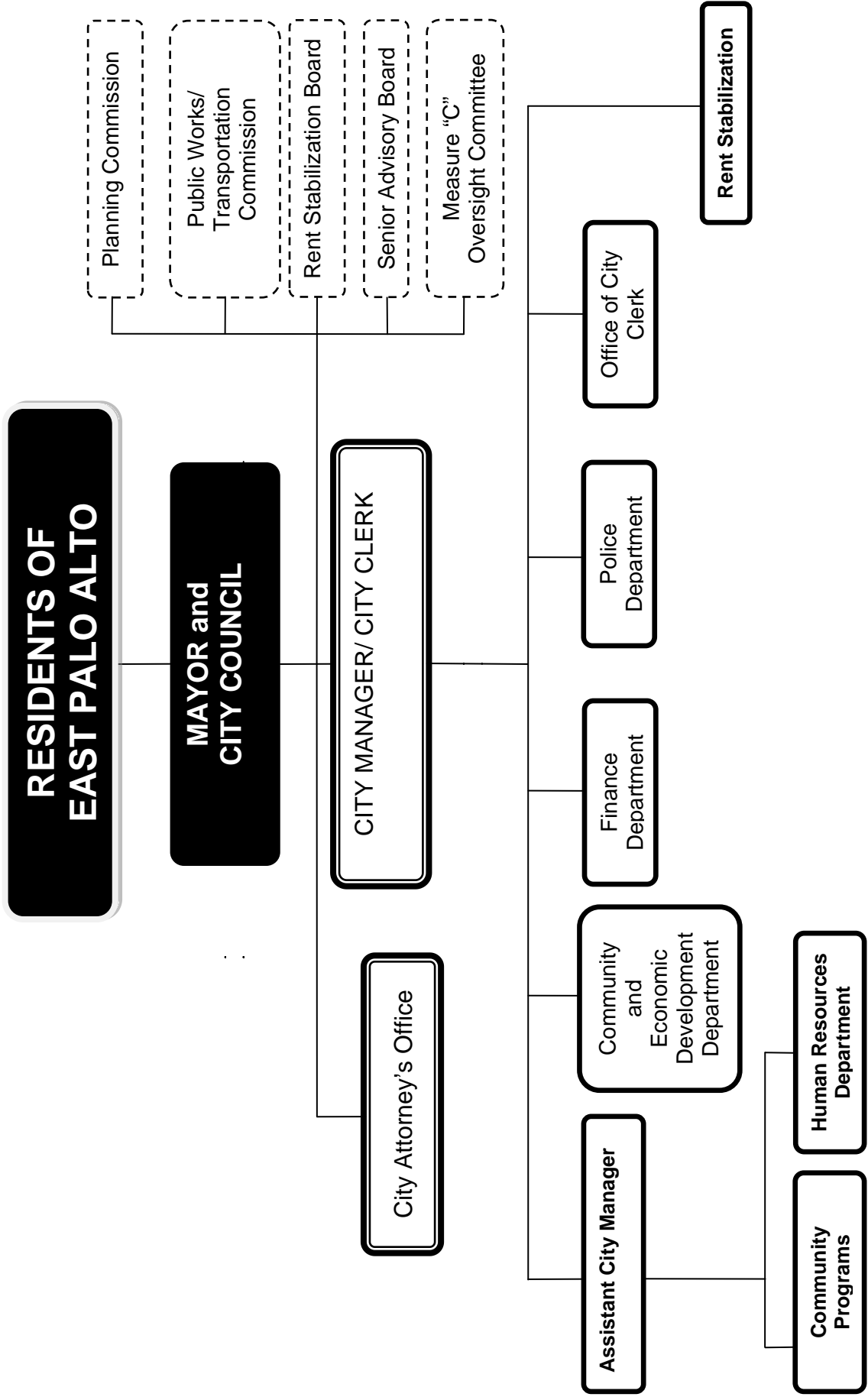
Carlos Martinez..... City Manager  
Sean Charpentier..... Assistant City Manager  
John Nagel..... City Attorney  
Brenda Olwin..... Finance Director  
Albert Pardini..... Police Chief  
Kamal Fallaha..... Public Works Director

# Regional Map





**CITY OF EAST PALO ALTO  
MASTER ORGANIZATIONAL CHART 2014-2015**





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of East Palo Alto  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
of the City of East Palo Alto  
East Palo Alto, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Palo Alto, California (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

To the Honorable Mayor and Members of the City Council  
of the City of East Palo Alto  
East Palo Alto, California  
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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 5-18 and 92-103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 115-130 and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 115-130 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 115-130 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council  
of the City of East Palo Alto  
East Palo Alto, California  
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The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates  
Certified Public Accountants  
Oakland, California  
December 23, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2015. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

### FISCAL YEAR 2014-15 FINANCIAL HIGHLIGHTS

- The City's beginning net position is restated and reduced by a net amount of \$7.1 million, from \$85.2 million to \$78.1 million. Of this amount, a reduction of \$7.6 million is due to the implementation of GASB #68, "Accounting and Financial Reporting for Pensions". This amount is offset by an increase of \$0.5 million related to a correction in accrued sales tax.
- The City's total net position equaled \$87.7 million at June 30, 2015, an increase of \$9.6 million during FY 2014-15 over the previous year's restated balance of \$78.1 million. The total increase in net position is attributable to governmental activities.
- Total City revenues, including program and general revenues, are \$34.1 million which represents an increase of \$4.4 million over the prior year. Total expenses are \$24.6 million in fiscal year 2014-15 compared to prior year expenses of \$24.9 million.
- Governmental program revenues are \$9.8 million in fiscal year 2014-15 compared to \$7.6 million in fiscal year 2013-14 primarily due to increased capital grants and contributions of \$2.1 million. Business-type program revenues are essentially unchanged at \$2.8 million in both years.
- Governmental general revenues were \$21.5 million in fiscal year 2014-15 compared to \$19.3 million in fiscal year 2013-14, an increase of \$2.2 million. Business-type general revenues remain essentially unchanged.
- General Fund revenues of \$21.1 million increased by \$2.7 million over the prior year. Major increases relate to State SB 90 "catch-up" reimbursements, community benefit contribution, and general increase in major tax revenue categories due to continued economic recovery.
- General Fund balance of \$25.2 million increased by \$1.1 million over the prior year, including a capital infrastructure funding transfer of \$3.6 million.

## OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the readers with a broad view of the City's finances in a manner similar to a private-sector business.

*Statement of Net Position:* Presents information on all of the City's assets and liabilities, with the difference between the two reported as net position (deficit). Over time, the change in net position (deficit) may serve as a useful indicator of whether the financial position of the City is improving or declining.

*Statement of Activities:* Presents information reflecting how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods (e.g. revenues pertaining to uncollected taxes and expenses pertaining to earned unused vacation leave). Non-financial factors, such as changes in the City's property tax base and the condition of the City's roads must be considered in order to properly assess the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, activities are divided into two types:

- Governmental activities - Most of the City's basic services are reported here, including police, public works, community development, and general administration. Taxes, user fees, and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to cover all or most of the cost of certain services it provides. The City's water system and franchised garbage collection services are reported here.

### **Fund Financial Statements**

A fund is a grouping of related accounts 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 financial compliance with legal requirements. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The fund financial statements provide detailed information about the most significant funds, called major funds. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes (like the Capital Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Federal Government). The City reports the following major funds: General Fund, Low and



Moderate Income Housing Successor Fund, Public Improvements in Lieu Fund, and Capital Improvement Fund. The remaining non-major funds of the City are summarized and presented in a single column. The City's different types of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

- *Governmental funds* - Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in detail in a reconciliation located after each of the fund financial statements.
- *Proprietary funds* - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- *Fiduciary funds* - the City maintains a Private Purpose Trust Fund to account for the activity of the former Redevelopment Agency of the City of East Palo Alto. The City's fiduciary activities as the Successor Agency are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The accounting basis used for fiduciary funds is similar to the proprietary funds. These activities are excluded from the City's other financial statements because the City cannot use the assets to finance its own operations.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City provides comparative information in its Management Discussion & Analysis by presenting two years of financial information in the GASB Statement No. 34 format and a comparative analysis of government-wide data. Net position serves as a useful indicator of a government's financial position.

## Analysis of Net Position

Government-wide assets exceeded liabilities by \$87.7 million at the end of the current fiscal year. However, a significant portion of these assets are not liquid, and are not available to pay current and future liabilities of the City. The following table is a summary of the government-wide net position for the governmental and business-type activities:

### STATEMENT OF NET POSITION (Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	57,966	52,065	3,302	3,099	61,268	55,164
Capital Assets	35,723	31,217	3,548	3,744	39,271	34,961
<b>Total assets</b>	<b>93,689</b>	<b>83,282</b>	<b>6,850</b>	<b>6,843</b>	<b>100,539</b>	<b>90,126</b>
Deferred outflows related to pension	2,188	-	-	-	2,188	-
<b>Total deferred outflows</b>	<b>2,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,188</b>	<b>-</b>
<b>Liabilities:</b>						
Current and other liabilities	2,592	2,056	524	525	3,116	2,581
Noncurrent liabilities	10,059	2,264	54	54	10,113	2,318
<b>Total liabilities</b>	<b>12,651</b>	<b>4,320</b>	<b>578</b>	<b>579</b>	<b>13,229</b>	<b>4,899</b>
Deferred inflows related to pension	1,833	-	-	-	1,833	-
<b>Total deferred inflows</b>	<b>1,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,833</b>	<b>-</b>
<b>Net Position:</b>						
Investment in capital, net of debt	35,562	31,133	3,548	3,743	39,110	34,876
Restricted	36,565	33,792	835	835	37,400	34,627
Unrestricted	9,267	14,037	1,890	1,686	11,157	15,723
<b>Total Net Position</b>	<b>81,394</b>	<b>78,962</b>	<b>6,273</b>	<b>6,264</b>	<b>87,667</b>	<b>85,226</b>

Numbers may not add due to rounding

### *Net Position - Governmental Activities*

Total governmental activities assets of \$93.7 million consist of current and other assets of \$58.0 million and capital assets of \$35.7 million.

Deferred outflows of \$2.2 million relate to the implementation of GASB #68 "Accounting and Financial Reporting for Pensions" (GASB #68), of which \$1.5 million relates to deferred employer pension contributions paid after the pension liability measurement date and \$0.7 million relates to differences in proportionate share of aggregate employer contributions under the City's multi-employer cost-sharing plans.

Total liabilities of \$12.7 million consist of \$2.6 million current liabilities and \$10.1 non-current liabilities. Of the non-current liabilities, the most significant portion (\$7.9 M) relates to net pension liability reported as a result of the implementation of GASB #68 in the current year.

Deferred inflows of \$1.8 million also relate to implementation of GASB #68 due to certain differences between actuarial estimates versus results, as well as, changes in proportion in the City's multi-employer cost-sharing plans.

The most significant portion (45%) of the governmental net position represents resources that are subject to external restrictions on how they may be spent by the City. The restricted balance relates to local and county special taxes, tax districts, State taxes, housing funds, and other restricted uses.

Another significant portion of net position (43%) relates to capital assets net of related debt. The City uses capital assets, such as roadways, storm drains, lighting, parks, and other infrastructure, to provide services to residents; therefore the assets provide no cash liquidity to pay liabilities. The City has not issued a significant amount of debt to finance capital assets primarily due to a focus on cash and grant-funded capital investment.

The City is able to report positive balances in all three categories of the net position for both governmental and business-type activities.

### *Net Position - Business-type Activity*

The City's business-type activities include \$3.5 million in capital assets, consisting primarily of municipal water-service assets and infrastructure. The City has not issued debt to finance capital assets. Approximately \$1.9 million of unrestricted net position is available at year-end to pay current and future obligations.

### **Analysis of Statement of Activities**

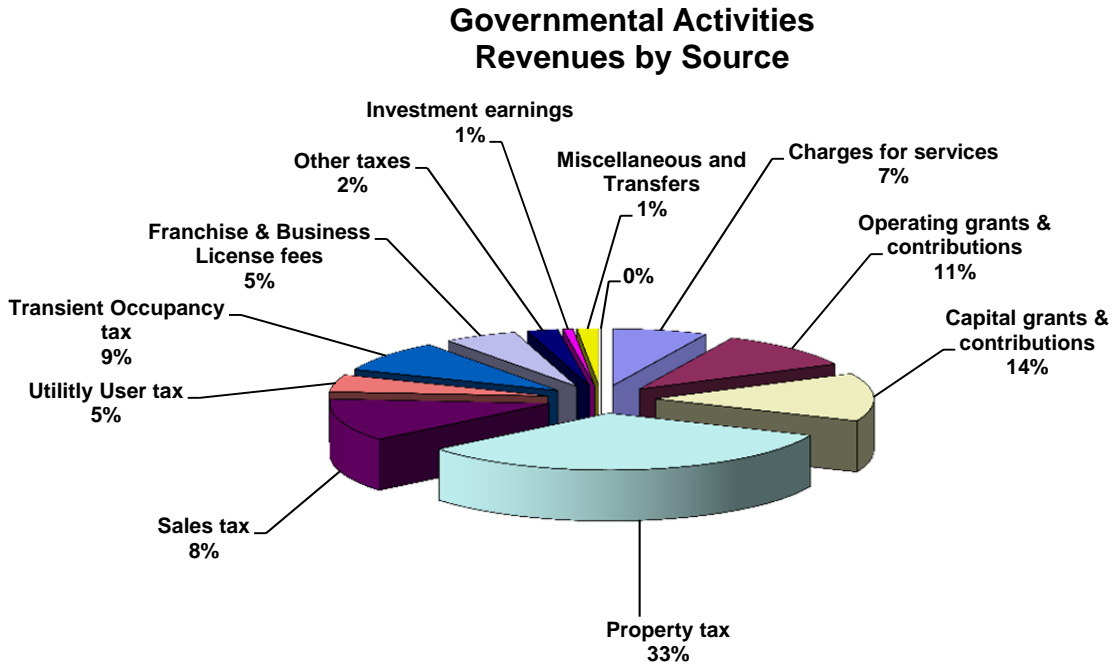
The statement of activities shows the net increases / (decreases) of net position during the fiscal year. The following table indicates the changes in net position for governmental and business-type activities:

**STATEMENT OF ACTIVITIES**  
(Dollars in thousands)

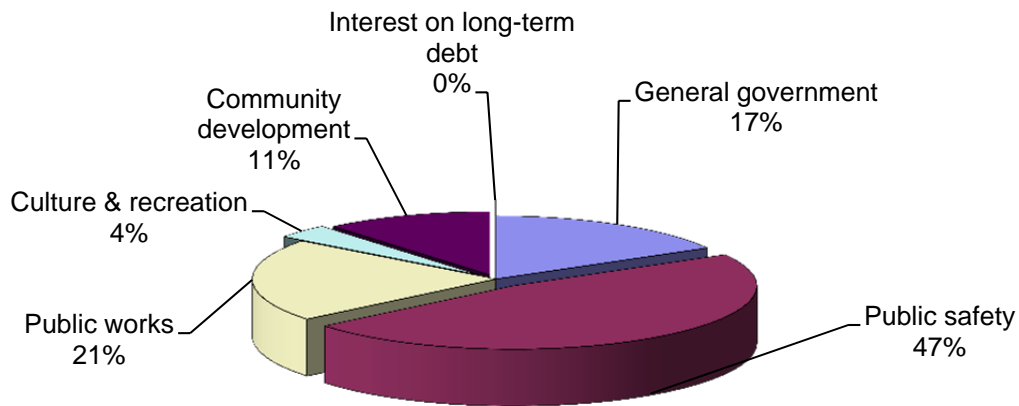
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	2,195	2,068	2,774	2,782	4,969	4,850
Operating grants/contributions	3,353	2,794	-	-	3,353	2,794
Capital grants/contributions	4,290	2,768	-	-	4,290	2,768
General revenues:						
Property taxes	10,261	9,411	-	-	10,261	9,411
Sales taxes	3,798	3,114	-	-	3,798	3,114
Utility user tax	1,513	1,464	-	-	1,513	1,464
Transient Occupancy taxes	2,804	2,453	-	-	2,804	2,453
Franchise & Business taxes	1,698	1,470	-	-	1,698	1,470
Other taxes	711	720	-	-	711	720
Investment Earnings	232	195	13	10	245	205
Miscellaneous and Transfers	494	430	-	-	494	430
<b>Total Revenues</b>	<u><u>31,349</u></u>	<u><u>26,887</u></u>	<u><u>2,787</u></u>	<u><u>2,792</u></u>	<u><u>34,136</u></u>	<u><u>29,679</u></u>
<b>Expenses</b>						
General government	3,661	4,055	-	-	3,661	4,055
Public safety	10,307	10,808	-	-	10,307	10,808
Public works	4,623	3,372	-	-	4,623	3,372
Culture and recreation	786	775	-	-	786	775
Community development	2,419	3,147	-	-	2,419	3,147
Water services	-	-	358	403	358	403
Garbage collection	-	-	2,420	2,354	2,420	2,354
Interest on long-term debt	-	1	-	-	-	1
<b>Total Expenses</b>	<u><u>21,796</u></u>	<u><u>22,158</u></u>	<u><u>2,778</u></u>	<u><u>2,757</u></u>	<u><u>24,574</u></u>	<u><u>24,915</u></u>
Change in Net Position	9,553	4,730	9	35	9,562	4,764
Net Position-Beginning	78,962	74,232	6,264	6,229	85,226	80,461
Restatement of Net Position	<u>(7,121)</u>				<u>(7,121)</u>	-
<b>Net Position-Ending</b>	<u><u>81,394</u></u>	<u><u>78,962</u></u>	<u><u>6,273</u></u>	<u><u>6,264</u></u>	<u><u>87,667</u></u>	<u><u>85,225</u></u>

*Statement of Activities - Governmental*

Government-wide Net position for governmental activities increased by approximately \$2.4 million; consisting of a beginning net position restatement of \$7.1 million due to implementation of GASB #68 and other corrections; offset by a positive change in net position of \$9.6 million. A further depiction of governmental type revenues and expenditures are illustrated in the following charts:



## Governmental Activities Expenditures by Type



### *Statement of Activities - Governmental, continued*

- Total revenues equal \$31.3 million; an increase of \$4.4 million or 16.4% over the prior year. The overall increase is attributable to a combination of continued economic recovery, increased funding from operating and capital grant contributions, and one-time revenues such as community benefit contributions (\$0.4M). The major revenue gains are attributable to operating and capital grants/contributions (\$2.1M), property tax (\$0.85M), sales tax (\$0.68M), and transient occupancy tax (\$0.35M). The tax increases reflect the City's ties to economic trends in Silicon Valley as employees and developers continue to seek more affordable housing and development options, and the City's major retail stores and hotel draw from the surrounding region.
- Total expenses equal \$21.8 million, a decrease of \$0.36 million or -1.6% from the prior year. Expenditures decreased slightly from the prior year due to staff vacancies, continued dampening of employee wage increases, and a continued effort to minimize increases in operational expenditures in order to increase cash investment in capital infrastructure.

### *Statement of Activities - Business-type*

- Net position increased by \$9,000 due to an increase of \$87,000 in the Garbage Fund offset by a decrease of \$78,000 in the Water Fund.
- Garbage operating revenues declined slightly by \$25,000 to \$2.5 million due to a minor change in the number of residential properties utilizing services. Operating expenses increased by 2.8%, or \$67,000, to \$2.4 million as garbage service costs continue to rise.

- Water revenues increased slightly by \$17,000 due to rate increases offset by a drop in water consumption. Water expenses decreased by \$45,000 to \$0.36 million as the City completed consulting work related to preliminary testing for a second ground water well and completing a rate study for water capital and meter replacement surcharges.

## FINANCIAL ANALYSIS OF THE CITY'S 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 resources that are available for spending. Such information is useful in assessing the City's financing requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, and Capital Project Funds.

At June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$49.5 million.

Governmental revenues total \$30.0 million compared to \$26.0 million in the prior year. The increase of 15.4%, or \$4.0 million reflects the economic improvements in City and the neighboring region and as a result City experienced revenue gains in recurring property tax, sales tax, transient occupancy tax, and business license tax revenues, as well as, receiving one-time revenues such as State mandate catch-up payments and community benefit contributions.

Governmental expenditures total \$26.7 million compared to \$23.6 million in the prior year. The \$3.1 million increase in expenditures is primarily due to an increase in capital outlay of \$3.6 million offset by reductions in operating expenses in most departments with the exception of community development and culture and recreation. As mentioned previously, staff vacancies, as well as, operating expenditures and reduced program costs contributed to reductions in department operating costs whereby the City continues to focus critical and necessary resources on capital infrastructure.

The General Fund is used to account for all revenues and expenditures necessary to carry out basic government activity of the City that is not accounted for through other funds.

Revenues (before transfers in) were \$21.1 million; an increase of \$2.8 million or 15.0% from the prior year. The increase is primarily due to economic recovery in major tax categories, charges for services as a result of large commercial and residential construction projects, and certain one-time revenues. The major year over year increases are due to property taxes (\$0.8M), sales tax (\$0.35M), permit fees and charges for services (\$0.4M), State SB-90 catch-up reimbursements (\$0.5M), and community benefit payments (\$0.4M).

Expenditures (before transfers out) were \$16.5 million, an increase of \$0.45 or 2.8%. The major increases in expenditures are due to increased wages and operating costs in Public Works (\$0.46M) as the City focused resources on major capital construction. Public Safety expenditures decreased \$0.29 million as a result of both vacancies and an increase in employees with lower pension benefits (CalPERS PEPRA). This decrease was offset by increases in community development.

Net Other Financing Uses total \$3.5 million primarily as a result of transfers out to the capital fund to provide cash for major capital projects approved during the fiscal year.

Total Fund Balance equaled \$25.2 million, an increase of \$1.0 million or 4.2% over the prior year. Of the total fund balance, \$11.8 million is non-spendable, primarily for loans to the Successor Agency and \$0.19 million is assigned for encumbrances. Of the \$ 13.2 million remaining balance, the following amounts are set-aside: Minimum Fund Reserve (\$2.7M), Capital Projects (\$2.1M), Technology, Equipment & Vehicles, and Self-Insurance (\$2.5M); Community Benefits (\$0.4M); leaving a remaining unassigned balance of \$5.5 million.

Low and Moderate Income Housing Successor Special Revenue Fund: This fund was added in fiscal year 2011-12 upon the City's election to become the Housing Successor of the former Redevelopment Agency of the City (former RDA). Certain assets of the former RDA's Housing Fund were distributed to the Housing Successor to be used in accordance with the low and moderate incoming housing provisions of California Redevelopment Law.

Public Improvement in Lieu Special Revenue Fund is used to account for revenues and expenditures for public improvement assets including in lieu fees collected from developers.

Total Fund Balance decreased slightly by \$21,000, from \$209,000 in the prior year to the current amount of \$188,000 as a result of low revenue collections offset by \$45,500 expenditures incurred to partially fund the Runnymede storm drain capital project.

The Capital Improvements Capital Projects Fund is used to account for capital project improvement revenues and expenditures financed by various sources including Federal and State Grants, Measure A monies, in-lieu fees, and transfers from the General Fund.

Total Fund Balance increased by \$0.96 million from \$1.58 million (restated) in the prior year to \$2.54 million on June 30, 2015. Capital projects expenditures of \$5.9 million were funded by a combination of capital grants (\$3.3M) and operating transfer in from the General Fund for both current and future projects (\$3.6M) resulting in net change in fund balance of \$0.96 million. The City currently has cash set-aside and/or grant commitments available to fund budgeted capital projects if such project costs remain at current budgeted levels.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.



Total Net Position for the Garbage and Water Funds are \$0.89 million and \$5.4 million, respectively. The Garbage Fund net position balance is unrestricted. The Water Fund net position includes \$3.5 million net investment in capital and \$0.8 million in cash restricted for capital projects leaving an unrestricted net position of \$1.0 million. The net change in position of both funds equals \$9,000; consisting of an increase in the Garbage Fund of \$85,000 offset by a reduction in the Water Fund of \$76,000. Discussions of these funds have been previously made in the City's government-wide business-type activities section.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The \$1.6 million difference between the adopted General Fund budget and the final amended budget is the result of adding \$1.6 million in budgeted revenues at mid-year; from \$18.5 million adopted revenues to \$20.1 million amended revenues. Major revenue budget amendments relate to property taxes (\$0.6M) as assessed property values experienced greater than expected gains after multiple years of declines, sales tax (\$0.5M) due to better than expected increases in overall retail sales, and miscellaneous revenue related to a community benefits contribution (\$0.4M). Following are the main components of the differences between final amended budget and actual results:

- Despite a \$1.6 million upward adjustment in total amended revenues, total actual revenues of \$21.1 million were \$1.0 million greater than the amended budget of \$20.1 million. Major actual differences relate to property taxes (\$.04M) due to supplemental and redevelopment residual payments greater than expected; charges for services (\$0.3M) related to building and engineering plan check fees as a result of aggressive building activity occurring between March and June; grants and intergovernmental (\$.5M) as a result of State mandate "catch-up" payments. These increases are offset by a negative budget to actual sales tax of \$0.4 million as a result of misapplied tax payments which the City recorded as unearned revenues since the amounts were received more than 60-days after year-end.
- Total actual expenditures are \$2.0 million less than budgeted expenditures. There are several factors relating to the decrease, including a fair amount of employee vacancies and turnover in all departments, as well as, an overall decrease in actual benefit costs for CalPERS, workers' compensation, and health due to more PEPRA employees with lower PERS benefits, and significantly reduced insurance due to both reduced insurance rates and employees choosing less health benefit than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$39.3 million (net of accumulated depreciation), an increase of \$4.3 million or 12.3% over the prior year. The increase is primarily attributable to construction in progress for various capital improvement projects included Bay Road improvement and Cooley Landing Park. Total capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

Capital assets, net of accumulated depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

#### GOVERNMENT-WIDE CAPITAL ASSETS

June 30, 2015

(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	621	621	\$ 207	\$ 207	\$ 828	\$ 828
Buildings and Improvements	5,289	5,289	44	44	5,333	5,333
Improvements Other than Bldgs.	6,962	4,942	7,058	7,058	14,020	12,000
Construction in Progress	7,055	5,305			7,055	5,305
Furnishings & Equipment	2,045	1,901	64	64	2,109	1,965
Vehicles	1,665	1,543	89	89	1,754	1,632
Street and Roadways	45,021	43,239			45,021	43,239
Storm Drain System	4,089	4,089			4,089	4,089
Less: Accumulated Depreciation	(37,024)	(35,712)	\$ (3,914)	\$ (3,718)	(40,938)	(39,430)
<b>Total</b>	<b>\$ 35,723</b>	<b>\$ 31,217</b>	<b>\$ 3,548</b>	<b>\$ 3,744</b>	<b>\$ 39,271</b>	<b>\$ 34,961</b>

Major capital assets events during the current fiscal year included the following:

#### *Governmental Activities*

Capital assets increased by \$4.51 million, net of depreciation. New assets acquired and in progress totaled \$1.8 million, including Bay Road improvements, Cooley Landing Park improvements, drainage system improvements, Gloria Way Well rehabilitation, and replacement of police vehicles.

### *Business-Type Activities*

There were no additions to the Garbage and Water Services funds' capital assets during the year. Net Capital assets decreased \$195 thousand due to depreciation of existing capital assets.

For government-wide financial statements presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital assets purchases as expenditures.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34.

Additional information about the City's and Water Services' capital assets can be found in Note 6 to the financial statements.

### **Debt Administration**

The City carries a very low level of capital-related debt; consisting primarily of capital leases on police vehicles. This is due to both deferring necessary infrastructure improvements, and a general focus on funding capital with cash reserves and capital grants from other governments and entities. Additionally, with the dissolution of the former RDA, the Successor Agency fiduciary fund assumed the long-term term debt of the former RDA as of February 1, 2012. Total Successor Agency fiduciary debt balance outstanding at June 30, 2015 is \$36.2 million. Additional information about the Successor Agency assumed debt can be found in Note 14 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

According to California Employment Development Department statistics, the City of East Palo Alto's unemployment rate decreased from 11.2% in June 2014 to 5.1% in June 2015. Historically, the City's unemployment rates have been higher than the rates of San Mateo County and the State of California. In June 2015, the State and County unemployment rates were 6.3% and 3.2%, respectively. Compared to June 2014, the State and County unemployment rates were 7.5% and 4.6% respectively. Overall, California, San Mateo County, and local economies are all experiencing a long, expanded recovery. Historically East Palo Alto lags behind most other communities in the San Francisco Bay Area during economic recoveries; however, the City is experiencing heightened property and development interest as a result of relatively inexpensive land and property values compared to other communities in the Silicon Valley. While this does not always translate to local job improvement, it does provide the City with additional resources to help citizens with job-related programs and services.

Although the local economic recovery was greater than expected during the past year, the City continues to be engaged in careful planning and expenditure containment. Aside from necessary prudence, the City faces critical infrastructure issues related to water supply, water distribution, drainage, and flood control. In this regard, City management recognizes these issues can only be resolved through tax increases as the current staffing levels and on-going capital infrastructure cash reserves cannot solve these critical needs.

The FY 2015-16 Adopted Budget is balanced and reflects consulting or other costs associated with addressing both a projected disparity between revenue and expenditure growth and the lack of a reliable and continuous funding stream for capital project replacements and ongoing maintenance. While the City extended certain employee concessions (at a reduced level) to address its structural imbalance to arrive at a balanced adopted 2014-15 budget, City management has assessed that such protracted concessions are counter-productive to achieving the critical work necessary in the ensuing two to three years, and the adopted 2015-16 budget does not contain provisions for continuing such concessions. Additionally, as economic conditions continue to improve the City is utilizing the resources to pursue additional resources through studying potential tax measures, as well as, re-organizing current staff and hiring outside consultants to better achieve results on critical projects.

The City Council also has taken action to fully fund its General Fund reserve at 15% of operating expenditures (currently over reserve) and establish a capital reserve to address the many unfunded capital improvement projects.

Changes in conditions and circumstances of the City's fiscal year 2015-16 adopted budget will be taken under consideration as budget amendments by the City Council at its mid-year budget review scheduled in January 2016.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to ensure transparency relative to city fiscal operations. If you have questions about this report or need additional financial information, contact the City's Finance Department, East Palo Alto Government Center, 2415 University Avenue, East Palo Alto, CA 94303.

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**BASIC  
FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of East Palo Alto**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	27,921,858	\$ 2,400,552	\$ 30,322,410
Restricted cash and investments with fiscal agents	1,873,215	835,114	2,708,329
Receivables:			
Accounts receivable	375,541	66,774	442,315
Interest receivable	262,413	-	262,413
Taxes receivable	1,370,800	-	1,370,800
Intergovernmental receivables	4,099,793	-	4,099,793
Deposits and prepayments	83,443	-	83,443
<b>Total current assets</b>	<b>35,987,063</b>	<b>3,302,440</b>	<b>39,289,503</b>
Noncurrent assets:			
Loans to Successor Agency	11,704,213	-	11,704,213
Property held for resale	2,603,736	-	2,603,736
Loans and notes receivable	7,671,239	-	7,671,239
Capital assets:			
Non-depreciable	7,675,809	206,750	7,882,559
Depreciable, net	28,046,954	3,341,553	31,388,507
<b>Total capital asset</b>	<b>35,722,763</b>	<b>3,548,303</b>	<b>39,271,066</b>
<b>Total noncurrent assets</b>	<b>57,701,951</b>	<b>3,548,303</b>	<b>61,250,254</b>
<b>Total assets</b>	<b>93,689,014</b>	<b>6,850,743</b>	<b>100,539,757</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer pension contributions	1,477,383	-	1,477,383
Deferred outflows of resources - pension	711,093	-	711,093
<b>Total deferred outflows of resources</b>	<b>2,188,476</b>	<b>-</b>	<b>2,188,476</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,515,380	523,864	2,039,244
Accrued liabilities	373,697	-	373,697
Retention payable	336,361	-	336,361
Compensated absences - due within one year	301,562	-	301,562
Claims payable - due within one year	3,330	-	3,330
Capital lease payable - due within one year	61,347	-	61,347
<b>Total current liabilities</b>	<b>2,591,677</b>	<b>523,864</b>	<b>3,115,541</b>
Noncurrent liabilities:			
Deposits payable	573,358	47,757	621,115
Advance from developers	103,115	5,865	108,980
Unearned revenue	1,245,066	-	1,245,066
Compensated absences - due in more than one year	162,396	-	162,396
Claims payable - due in more than one year	18,873	-	18,873
Capital lease payable - due in more than one year	99,786	-	99,786
Net pension liability	7,856,469	-	7,856,469
<b>Total noncurrent liabilities</b>	<b>10,059,063</b>	<b>53,622</b>	<b>10,112,685</b>
<b>Total liabilities</b>	<b>12,650,740</b>	<b>577,486</b>	<b>13,228,226</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	1,833,161	-	1,833,161
<b>Total deferred inflows of resources</b>	<b>1,833,161</b>	<b>-</b>	<b>1,833,161</b>
<b>NET POSITION</b>			
Net investment in capital assets	35,561,630	3,548,303	39,109,933
Restricted for:			
Highway and Street Projects	16,305,726	-	16,305,726
Parks and Recreation	550,014	-	550,014
Measure C Program	1,464,460	-	1,464,460
Housing Program	14,012,643	-	14,012,643
Special Programs	954,220	-	954,220
Capital Projects	3,278,313	835,114	4,113,427
<b>Total restricted</b>	<b>36,565,376</b>	<b>835,114</b>	<b>37,400,490</b>
Unrestricted	9,266,583	1,889,840	11,156,423
<b>Total net position</b>	<b>\$ 81,393,589</b>	<b>\$ 6,273,257</b>	<b>\$ 87,666,846</b>

See accompanying Notes to Basic Financial Statements.

**City of East Palo**  
**Statement of Activities**  
**For the year ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	3,660,815	\$ 11,512	\$ 544,636	\$ -	\$ 556,148
Public safety	10,307,266	392,781	371,499	-	764,280
Public works	4,622,878	129,437	1,940,961	4,089,006	6,159,404
Culture and recreation	786,238	-	-	-	-
Community Development	2,419,345	1,660,988	496,134	200,614	2,357,736
Interest on long-term debt	-	-	-	-	-
<b>Total governmental activities</b>	<b>21,796,542</b>	<b>2,194,718</b>	<b>3,353,230</b>	<b>4,289,620</b>	<b>9,837,568</b>
<b>Business-type activities:</b>					
Garbage Collections	2,420,314	2,498,723	-	-	2,498,723
Water Services	357,769	275,339	-	-	275,339
<b>Total business-type activities</b>	<b>2,778,083</b>	<b>2,774,062</b>	<b>-</b>	<b>-</b>	<b>2,774,062</b>
<b>Total primary government</b>	<b>\$ 24,574,625</b>	<b>\$ 4,968,780</b>	<b>\$ 3,353,230</b>	<b>\$ 4,289,620</b>	<b>\$ 12,611,630</b>

**General Revenues:**

Taxes:

- Property taxes
- Sales taxes
- Utility users tax
- Transient occupancy taxes
- Other taxes
- Franchise and business tax

Total taxes

Investment earnings

Miscellaneous

**Total general revenues**

**Change in net position**

**Net position - beginning of year, as restated**

**Net position - end of year**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,104,667)	\$ -	\$ (3,104,667)
(9,542,986)	-	(9,542,986)
1,536,526	-	1,536,526
(786,238)	-	(786,238)
(61,609)	-	(61,609)
-	-	-
<u>(11,958,974)</u>	<u>-</u>	<u>(11,958,974)</u>
-	78,409	78,409
-	(82,430)	(82,430)
-	(4,021)	(4,021)
<u>(11,958,974)</u>	<u>(4,021)</u>	<u>(11,962,995)</u>
10,260,689	-	10,260,689
3,798,237	-	3,798,237
1,513,088	-	1,513,088
2,803,542	-	2,803,542
711,619	-	711,619
1,698,507	-	1,698,507
<u>20,785,682</u>	<u>-</u>	<u>20,785,682</u>
232,001	12,984	244,985
493,864	-	493,864
<u>21,511,547</u>	<u>12,984</u>	<u>21,524,531</u>
9,552,573	8,963	9,561,536
71,841,016	6,264,294	78,105,310
<u>\$ 81,393,589</u>	<u>\$ 6,273,257</u>	<u>\$ 87,666,846</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

*General Fund* accounts for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

*Low and Moderate Income Housing Successor Special Revenue Fund* accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for qualifying low and moderate income households. The main source of revenue is the repayment of loans restricted for housing activities.

*Public Improvements in Lieu Special Revenue Fund* accounts for revenues and expenditures for public improvement assets including in lieu fees from developers.

*Capital Improvements Capital Projects Fund* accounts for capital project improvement revenues and expenditures financed by various sources such as Federal and State capital grants, General Fund transfers, and contributions.

*Non-Major Governmental Funds* is the aggregate of all the non-major governmental funds.

**City of East Palo Alto**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Major Funds		
	General	Low and Moderate Income Housing Successor Special Revenue Fund	Public Improvements in Lieu Special Revenue Fund
<b>ASSETS</b>			
Cash and investments	\$ 13,653,638	\$ 441,909	\$ 233,763
Restricted cash and investments	-	-	1,207,857
Receivables:			
Accrued interest	-	248,074	-
Taxes	1,313,334	-	-
Intergovernmental	51,803	-	-
Accounts receivable	216,038	43,377	342
Deposits and prepayments	65,778	15,000	-
Due from other funds	168,194	-	-
Loans to Successor Agency	11,704,213	-	-
Property held for resale	-	2,603,736	-
Loans and notes receivable	-	7,417,994	-
<b>Total assets</b>	<b>\$ 27,172,998</b>	<b>\$ 10,770,090</b>	<b>\$ 1,441,962</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 615,017	\$ -	\$ -
Retentions payable	-	-	45,461
Deposits payable	568,687	-	-
Other accrued liabilities	325,699	-	-
Unearned revenue	-	-	1,207,857
Due to other funds	-	-	-
Advances from developers	1,175	-	-
<b>Total liabilities</b>	<b>1,510,578</b>	<b>-</b>	<b>1,253,318</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	483,422	-	-
<b>Fund Balances: (Note 9)</b>			
Nonspendable	11,769,991	-	-
Restricted	-	10,770,090	188,644
Assigned	187,141	-	-
Unassigned	13,221,866	-	-
<b>Total fund balances</b>	<b>25,178,998</b>	<b>10,770,090</b>	<b>188,644</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 27,172,998</b>	<b>\$ 10,770,090</b>	<b>\$ 1,441,962</b>

See accompanying Notes to Basic Financial Statements.



<u>Major Funds</u>		
<u>Capital Improvements Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,588,992	\$ 11,003,556	\$ 27,921,858
628,149	37,209	1,873,215
-	14,339	262,413
-	57,465	1,370,799
3,582,105	466,222	4,100,130
-	115,786	375,543
-	2,664	83,442
-	-	168,194
-	-	11,704,213
-	-	2,603,736
-	253,245	7,671,239
<u>\$ 6,799,246</u>	<u>\$ 11,950,486</u>	<u>\$ 58,134,782</u>
\$ 553,182	\$ 347,187	\$ 1,515,386
205,194	85,706	336,361
5,000	-	573,687
-	48,000	373,699
-	37,209	1,245,066
-	168,194	168,194
101,940	-	103,115
<u>865,316</u>	<u>686,296</u>	<u>4,315,508</u>
<u>3,392,322</u>	<u>399,452</u>	<u>4,275,196</u>
-	-	11,769,991
628,149	11,098,094	22,684,977
1,913,459	-	2,100,600
-	(233,356)	12,988,510
<u>2,541,608</u>	<u>10,864,738</u>	<u>49,544,078</u>
<u>\$ 6,799,246</u>	<u>\$ 11,950,486</u>	<u>\$ 58,134,782</u>

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**City of East Palo Alto**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

**Total Fund Balances - Total Governmental Funds** \$ 49,544,078

Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. In the Government-wide financial statements, the cost of assets are capitalized and depreciated over the estimated useful lives of the assets and reported as depreciation expense. The capital assets, net of depreciation, are adjusted as follows:

	Total
Non-depreciable	\$ 7,675,809
Depreciable, net	28,046,954
	35,722,763

Employer pension contributions are recorded as expenditures in the Governmental funds when paid based upon recommended actuarial contributions. In the Government-wide financial statements, certain pension activity is reported as deferred inflows of resources or deferred outflows of resources, as follows:

Employer pension contributions reported as expense in the Governmental funds, but paid after the pension liability measurement date. 1,477,383

For multi-employer cost sharing pension plans, differences between actual employer pension contributions and the City's proportionate share of total aggregate employer contributions during the measurement period are deferred and amortized over the estimated average remaining service period of active members in the plan in the Government-wide statements, however, in the Governmental funds such transactions are not recorded. 711,093

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension and differences due to changes proportion are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. (1,833,161)

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds are not available are reclassified as revenues in the Government-wide financial statements. 4,275,196

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the Governmental funds. Those liabilities consist of:

	Total
Compensated absences	\$ (463,958)
Claims payable	(22,203)
Capital leases payable	(161,133)
Net Pension Liability	(7,856,469)
	(8,503,763)

**Net Position of Governmental Activities** \$ 81,393,589

See accompanying Notes to Basic Financial Statements.

**City of East Palo Alto**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2015**

	Major Funds		
	General Fund	Low and Moderate Income Housing Successor Special Revenue Fund	Public Improvements in Lieu Special Revenue Fund
<b>REVENUES:</b>			
Property taxes	\$ 9,727,047	\$ -	\$ -
Sales taxes	3,471,044	-	-
Transient occupancy tax	2,185,515	-	-
Utility users tax	1,513,088	-	-
Other taxes	13,738	-	-
Licenses, fees and permits	932,302	-	-
Charges for services	1,733,090	8	25,273
Fines and forfeitures	368,621	-	-
Use of money and property	88,989	88,094	1,195
Grants and intergovernmental	578,979	15,000	-
Miscellaneous	516,342	4,898	-
<b>Total revenues</b>	<b>21,128,755</b>	<b>108,000</b>	<b>26,468</b>
<b>EXPENDITURES:</b>			
Current:			
General government	2,934,877	-	-
Public safety	9,489,881	-	-
Public works	1,962,445	-	1,610
Culture and recreation	256,003	-	-
Community development	1,877,933	-	-
Capital outlay	2,517	-	45,461
<b>Total expenditures</b>	<b>16,523,656</b>	<b>-</b>	<b>47,071</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,605,099</b>	<b>108,000</b>	<b>(20,603)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital lease financing	121,666	-	-
Transfers in	2,132	-	-
Transfers out	(3,625,022)	-	-
<b>Total other financing sources (uses)</b>	<b>(3,501,224)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,103,875</b>	<b>108,000</b>	<b>(20,603)</b>
<b>FUND BALANCES:</b>			
Beginning of year, as restated	24,075,123	10,662,090	209,247
End of year	<u>\$ 25,178,998</u>	<u>\$ 10,770,090</u>	<u>\$ 188,644</u>

See accompanying Notes to Basic Financial Statements.

Major Funds

Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 358,950	\$ 10,085,997
-	581,960	4,053,004
-	618,027	2,803,542
-	-	1,513,088
-	1,802,527	1,816,265
-	-	932,302
-	879,674	2,638,045
-	-	368,621
8	67,316	245,602
3,275,135	1,072,287	4,941,401
-	88,330	609,570
<u>3,275,143</u>	<u>5,469,071</u>	<u>30,007,437</u>
-	870,051	3,804,928
-	796,734	10,286,615
-	734,169	2,698,224
-	533,366	789,369
-	385,180	2,263,113
5,928,061	901,587	6,877,626
<u>5,928,061</u>	<u>4,221,087</u>	<u>26,719,875</u>
<u>(2,652,918)</u>	<u>1,247,984</u>	<u>3,287,562</u>
-	-	121,666
3,610,000	412,598	4,024,730
-	(399,708)	(4,024,730)
<u>3,610,000</u>	<u>12,890</u>	<u>121,666</u>
957,082	1,260,874	3,409,228
<u>1,584,526</u>	<u>9,603,864</u>	<u>46,134,850</u>
<u>\$ 2,541,608</u>	<u>\$ 10,864,738</u>	<u>\$ 49,544,078</u>

# City of East Palo Alto

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2015

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 3,409,228
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives of the assets and reported as depreciation expense. This was the amount of capital assets recorded in the current period, net of \$121,666 in capital leases.	5,695,571
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental funds.	(1,311,717)
Payments of accrued compensated is reported as an expenditure in the Governmental funds when paid, but the repayment reduces accrued compensated absences payable in the Government-wide statements.	216,795
Payments on existing claims against the City are recorded as expenditures in Governmental funds, but the payments reduce claims payable in the Government-wide statements. Expenses related to new claims and changes in claim estimates do not require the use of current financial resources and therefore are not reported as an expenditure in Governmental funds.	69,633
Payments on capital lease obligations are reported as expenditures in Governmental funds as paid, but the repayments reduce long-term liabilities in the Government-wide Statement of Net Position.	45,254
Current year employer pension contributions are recorded as expenditures in the Governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	1,477,383
Pension expense is recorded as incurred in the Government-wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(1,391,252)
Grant and tax revenues that did not meet the revenue recognition criteria in the governmental funds but were recognized as revenue in the Government-Wide Financial Statements.	<u>1,341,678</u>
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 9,552,573</u>

See accompanying Notes to Basic Financial Statements.

## PROPRIETARY FUND FINANCIAL STATEMENTS

*Garbage Collection Fund* accounts for the activities associated with garbage collection services.

*Water Service Fund* accounts for the activities associated with providing water services.

**City of East Palo Alto**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Enterprise Funds		
	Garbage Collection	Water Service	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,378,108	\$ 1,022,444	\$ 2,400,552
Cash with fiscal agents	-	835,114	835,114
Accounts receivable, net	37,874	28,900	66,774
Total current assets	1,415,982	1,886,458	3,302,440
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	206,750	206,750
Depreciable, net	-	3,341,553	3,341,553
Total capital assets	-	3,548,303	3,548,303
Total noncurrent assets	-	3,548,303	3,548,303
<b>Total assets</b>	<b>\$ 1,415,982</b>	<b>\$ 5,434,761</b>	<b>\$ 6,850,743</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 521,744	\$ 2,120	\$ 523,864
Total current liabilities	521,744	2,120	523,864
Noncurrent liabilities:			
Deposits payable	-	47,757	47,757
Advances from developers	-	5,865	5,865
Total noncurrent liabilities	-	53,622	53,622
<b>Total liabilities</b>	<b>521,744</b>	<b>55,742</b>	<b>577,486</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	3,548,303	3,548,303
Restricted for:			
Capital projects	-	835,114	835,114
Unrestricted	894,238	995,602	1,889,840
<b>Total net position</b>	<b>\$ 894,238</b>	<b>\$ 5,379,019</b>	<b>\$ 6,273,257</b>

See accompanying Notes to Basic Financial Statements.



**City of East Palo Alto**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2015**

	Enterprise Funds		
	Garbage Collection	Water Service	Total
<b>OPERATING REVENUES:</b>			
Charges for services and other fees	\$ 2,285,876	\$ 274,388	\$ 2,560,264
Other	212,847	951	213,798
<b>Total operating revenues</b>	<b>2,498,723</b>	<b>275,339</b>	<b>2,774,062</b>
<b>OPERATING EXPENSES:</b>			
Outside services	2,323,721	162,478	2,486,199
Administration	96,593	-	96,593
Depreciation	-	195,291	195,291
<b>Total operating expenses</b>	<b>2,420,314</b>	<b>357,769</b>	<b>2,778,083</b>
<b>OPERATING INCOME</b>	<b>78,409</b>	<b>(82,430)</b>	<b>(4,021)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	6,939	6,045	12,984
<b>Total nonoperating revenues (expenses)</b>	<b>6,939</b>	<b>6,045</b>	<b>12,984</b>
<b>Change in net position</b>	<b>85,348</b>	<b>(76,385)</b>	<b>8,963</b>
<b>NET POSITION</b>			
Beginning of year	808,890	5,455,404	6,264,294
End of year	\$ 894,238	\$ 5,379,019	\$ 6,273,257

See accompanying Notes to Basic Financial Statements.

**City of East Palo Alto**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2015**

	Enterprise Funds		
	Garbage Collection	Water Service	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from others	\$ 212,847	\$ 268,453	\$ 213,798
Cash received from customers	2,284,047	-	2,551,549
Cash payments to suppliers for goods and services	(2,324,216)	(171,965)	(2,496,181)
Cash paid to employees	(87,343)	-	(87,343)
<b>Net cash provided by operating activities</b>	<b>85,335</b>	<b>96,488</b>	<b>181,823</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income received	6,939	6,045	12,984
<b>Net cash provided by investing activities</b>	<b>6,939</b>	<b>6,045</b>	<b>12,984</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>92,274</b>	<b>102,533</b>	<b>194,807</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>1,285,834</b>	<b>1,755,025</b>	<b>3,040,859</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,378,108</b>	<b>\$ 1,857,558</b>	<b>\$ 3,235,666</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>			
Cash and investments	\$ 1,378,108	\$ 1,022,444	\$ 2,400,552
Cash with fiscal agents	-	835,114	835,114
<b>Total</b>	<b>\$ 1,378,108</b>	<b>\$ 1,857,558</b>	<b>\$ 3,235,666</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>			
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 78,409	\$ (82,430)	\$ (4,021)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	195,291	195,291
Changes in assets and liabilities:			
Accounts receivable	(1,829)	(6,886)	(8,715)
Accounts payable	8,755	(9,487)	(732)
Deposits	-	-	-
Advances from developers	-	-	-
<b>Total adjustments</b>	<b>6,926</b>	<b>178,918</b>	<b>185,844</b>
<b>Net cash provided by operating activities</b>	<b>\$ 85,335</b>	<b>\$ 96,488</b>	<b>\$ 181,823</b>

See accompanying Notes to Basic Financial Statements.

## FIDUCIARY FUND FINANCIAL STATEMENTS

### Private Purpose Trust Funds

*Successor Agency Trust to the Redevelopment Agency Private-Purpose Trust Fund* accounts for the accumulation of resources held and administered under trust for the benefit of others. As discussed in Note 14, all California Redevelopment Agencies were dissolved pursuant to the Dissolution Act. In January 2012, the City elected to serve as the Successor Agency (SA) of the former Redevelopment Agency. The SA is responsible for winding down the affairs of the former agency. This fund accounts for receipts and payments related to the Enforceable Obligation Schedule; and the disposition of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

**City of East Palo Alto**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Successor Agency Trust Fund
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 2,371,427
Receivables:	
Accounts receivable	12,422
Interest receivable	2,574
Total current assets	<u>2,386,423</u>
Noncurrent assets	
Restricted cash and investments	15,466,974
Capital assets:	
Non-depreciable	1,395,865
Depreciable, net	1,850,596
Total capital assets	<u>3,246,461</u>
Total noncurrent assets	<u>18,713,435</u>
<b>Total assets</b>	<u><u>\$ 21,099,858</u></u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Current liabilities	
Accounts payable	4,032
Other accrued liabilities	326,603
Bonds payable - due in one year	1,355,000
Total current liabilities	<u>1,685,635</u>
Noncurrent liabilities	
Loans payable to City of East Palo Alto	11,704,214
Bonds payable - due in more than one year	34,866,117
Total noncurrent liabilities	<u>46,570,331</u>
<b>Total liabilities</b>	<u>48,255,966</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on refunding	<u>310,443</u>
<b>NET POSITION</b>	
Held in trust for dissolution of RDA	<u>(27,466,551)</u>
<b>Total net position</b>	<u><u>\$ (27,466,551)</u></u>

See accompanying Notes to Basic Financial Statements.

**City of East Palo Alto**  
**Statement of Changes in Fiduciary Net Position**  
**All Fiduciary Funds - Private Purpose Trust Funds**  
**For the year ended June 30, 2015**

	Successor Agency Trust Fund
<b>ADDITIONS:</b>	
RDA property tax trust fund distribution	1,993,226
Use of money and property	141,285
Miscellaneous	6,684
<b>Total additions</b>	<u>2,141,195</u>
<b>DEDUCTIONS:</b>	
Community development	417,306
Transfer to the City of East Palo Alto	15,001
Interest expense	1,145,982
<b>Total Deductions</b>	<u>1,578,289</u>
<b>Change in net position</b>	562,906
<b>NET POSITION:</b>	
Beginning of year	<u>(28,029,457)</u>
End of year	<u><u>\$ (27,466,551)</u></u>

See accompanying Notes to Basic Financial Statements.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of East Palo Alto, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. *Financial Reporting Entity***

The City of East Palo Alto (City) was incorporated in 1983, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City uses the City Council/Manager form of government. The local government is comprised of five Council members who are elected every four years and act under powers granted under State law. The City provides a variety of services including general administration; police public safety; street/highway, storm drain, streetlight and park maintenance; community development, and community services, including rent control services..

The basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City had no discretely presented component units. The blended component unit has a June 30 year-end. The following entity is reported as a blended component unit:

The East Palo Alto Public Financing Authority - The East Palo Alto Public Financing Authority (Authority) was organized in October 1999 under a joint exercise of power agreement to provide financing for public improvements for the City and the former East Palo Alto Redevelopment Agency (former Agency). The Authority and the City have a financial and operational relationship, which requires that the Authority's financial statements be blended into the City's financial statements. The Authority's Board consists exclusively of all members of the City Council. Certain activity of the Authority is blended with the Successor Agency of the former Agency as the Authority facilitated long-term debt financing of the former Agency. Separate financial statements of the Authority are not prepared.

**B. *Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions, or limitation. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.



**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Government-Wide Financial Statements**

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

The financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made related to inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**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 non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

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 and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following funds as major governmental funds of the City:

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Low and Moderate Income Housing Successor Special Revenue Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The main source of revenue is the repayment of loans restricted for housing activities.

Public Improvements in Lieu Special Revenue Fund accounts for revenues and expenditures for public improvement assets including in lieu of fees from developers.

Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources such as Federal and State grants, and Park in-lieu funds.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Governmental Fund Financial Statements, Continued**

The City reports the following governmental funds as non-major governmental funds of the City:

NPDES Fees Special Revenue Fund accounts for the revenues and expenditures from assessments levied on property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of storm water and flood related damage.

Gas Tax Special Revenue Fund accounts for funds received from the State of California to use for street and highway related projects.

Federal and State Law Enforcement Special Revenue Fund accounts for the receipt and use of State and Federal law enforcement related grant money.

Park in Lieu Special Revenue Fund accounts for park in lieu fees collected from developers.

Rent Stabilization Fund accounts for revenues and expenditures to support rent stabilization activities.

Federal and State Grants Special Revenue Fund accounts for grant money received and expended from various Federal and State government grants.

US EPA Special Revenue Fund accounts for U.S. Environmental Protection Agency grant money received and expended.

Housing in Lieu Special Revenue Fund accounts for developer fees and deposits in lieu of providing affordable housing and 10% of TOT taxes collected as approved by voters and the expenditures related to housing.

Housing Assistance Special Revenue Fund accounts for first time home buyer assistance program activities.

Measure A Special Revenue Fund accounts for the City's share of Measure A revenues and expenditures. Measure A is a half-cent sales tax to support countywide (San Mateo County) transportation projects and programs.

CYSFF Children/Youth/Seniors/Family Special Revenue Fund accounts for 10% of TOT taxes collected as approved by voters and the City Council approved funding for various non-profit organizations related to Children/Youth/Seniors/Family programs.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Governmental Fund Financial Statements, Continued**

Lighting District Special Revenue Fund accounts for revenues (property taxes) and expenditures for the Ravenswood Highway Lighting District.

Drainage District Special Revenue Fund accounts for revenues (property taxes) and expenditures for the East Palo Alto Maintenance Drainage District.

Measure C Special Revenue Fund accounts for the revenues and expenditures of Measure C Special Parcel tax. Measure C was approved by the voters in November 2006. The tax is annual parcel tax and the funds are to be used to support violence prevention and public safety intervention.

Local Grants Special Revenue Fund accounts for revenues and expenditures from local public and private grants including the C/CAG Shuttle and the CA Endowment grants.

**Proprietary Fund Financial Statements**

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

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the Garbage Collection and Water Service enterprise funds as proprietary funds of the City.

Garbage Collection Fund accounts for the activities associated with garbage collection services.

Water Service Fund accounts for the activities associated with providing water services.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary funds:

*Successor Agency Private Purpose Trust Fund* – accounts for assets and liabilities held by the City pursuant to California Redevelopment Dissolution Law whereby the City elected to serve as the Successor Agency of the former Agency effective February 1, 2012. The Successor Agency serves as custodian for the assets of, and winding down affairs related to, the former Agency. The Successor Agency is allocated revenues necessary to pay enforceable obligations of the former Agency. The activities of the fund include blended component unit activity of the East Palo Alto Public Finance Authority (the Authority), and such activities are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary fund financial statements.

**C. Cash, Cash Equivalents and Investments**

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**C. Cash, Cash Equivalents and Investments, Continued**

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**D. Restricted Cash and Investments**

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, and to meet bond indenture debt reserve requirements. Cash and investments are also restricted for deposits held for others within the enterprise funds.

**E. Prepayments**

Payments made for services that will benefit periods beyond fiscal year end are recorded as prepaid items. In the governmental fund types, there is a portion of nonspendable fund balance equal to the amount of prepaid items since these are not available for appropriation.

**F. Capital Assets**

Capital assets used in governmental fund operations, including infrastructure assets (i.e. roads, curbs, gutters, bridges, sidewalks, drainage systems, lighting systems, and other assets) are reflected in the government-wide financial statements, along with related depreciation. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated life in excess of one year. Purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Capital assets acquired under lease or purchase agreements are capitalized when the City accumulates an ownership equity in the assets acquired.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*F. Capital Assets, Continued*

The purpose of depreciation is to allocate the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method whereby the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Infrastructure	7-55 years
Buildings and Improvements	30 years
Furniture, Fixture, and Equipment	5-10 years
Automobiles and Trucks	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

*G. Unearned revenue*

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-wide Financial Statements are prepaid charges for services.

*H. Long-Term Debt*

Government-wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as certain issuance costs, are amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount.

Fund Financial Statements – The governmental fund financial statements do not report long-term debt. As such, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

Bond premiums and discounts, as well as certain issuance costs, are recognized during the current period as other financing sources or uses. Bond proceeds are reported as other financing sources.

Proprietary Fund Financial Statements use the same principles as those used in the Government-wide Financial Statements.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Property Taxes**

State Constitution Article XIII A provides for a maximum general property tax rate statewide of \$1.00 per \$100, or one-percent (1%) of assessed value unless an additional override tax rate is levied to pay voter-approved indebtedness. At the time of transfer of ownership, assessed value is calculated at 100% of market value as defined by Article XIII A; otherwise assessed value is applied to the adjusted 1975-76 value of the property plus new construction value added after the 1975-76 valuation. Taxable values on properties can rise or be adjusted at the lesser 2% per year or the inflation rate as determined by the Board of Equalization California Consumer Price Index. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities, school districts and other special districts, may levy such additional tax rate as is necessary to provide for voter-approved debt.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Government-wide statements reflect deferred outflows relating to pension liability activity. These deferred outflows are the comprised of pension contributions made after the pension liability measurement period, which are expensed in the following year, and adjustments due to the difference between actual pension contributions made and the proportionate share of the cost sharing multiple-employer risk pool contributions.

In addition to liabilities, the statement of financial position or 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 or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Government-wide statements reflect deferred inflows relating to pension liability activity. Deferred inflows are comprised of the net difference between projected and actual earnings on the pension plan investments and differences in proportion related to the cost sharing multiple employer risk pools. Such amounts are deferred and amortized over the expected average remaining service lifetime of 3.8 years, currently.



**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**K. Net Position**

**Government-Wide Financial Statements**

In the Government-wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This amount is the net position balance that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

**L. Fund Balances**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The new classifications of fund balances are listed below:

**Nonspendable Fund Balances**

Non-spendable represents balances set aside to indicate items that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed, or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

**Restricted Fund Balances**

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included with spendable resources.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*L. Fund Balances, Continued*

**Committed Fund Balances**

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included with spendable resources.

**Assigned Fund Balances**

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances and Nonspendable balance, when it is the City's intent to use proceeds or collections for a specific purpose. The City Council is the only entity that has authority to make assignments of fund balance. The City Council has not delegated the authority to make assignments of fund balance.

**Unassigned Fund Balance**

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**Hierarchy of Expenditures to Classify Fund Balance Amounts**

For expenditures made in any governmental fund, the restricted amounts will be reduced first, followed by committed amounts, assigned amounts, and then unassigned amounts.

**Minimum Fund Balance Policies**

The City's Budget Guidelines and Fiscal Policies require the City to strive to maintain a reserve in the General Fund which represents 15% of the fund expenditures.

On June 30, 2015, the General Fund reported \$2,743,000 in reserve which meets the City's minimum 15% requirement level of \$2,593,398. The General Fund reserve fund balance is \$149,602 above this requirement.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**M. *Compensated Leave Payable***

Compensated absences are primarily comprised of unpaid vacation leave which is accrued as earned. All full-time, regular employees are entitled to earn a minimum of 80-hours of vacation per year. The accrual rate increases as length of related service exceeds five years. Maximum accrual of vacation ranges from 288 hours to 320 hours depending on length of related service. For governmental funds, compensated leave payable is recorded as current and noncurrent liabilities and as expenses only on the Government-wide Financial Statements. Compensated absences are reported in governmental funds only if they have matured.

**N. *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's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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.

**O. *Use of Estimates***

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**P. *New Pronouncements***

In 2015, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* – The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments and accountability and inter-period equity, and creating additional transparency.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*P. New Pronouncements, Continued*

The statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures* as they relate to pensions that are provided through pension plans administered as trusts of equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The City restated its beginning net position as part of implementation of this accounting standard.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* – This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no impact on beginning net position as part of the implementation of this accounting standard.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* – The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The City restated its beginning net position as part of implementation of this accounting standard.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS**

The City maintains a cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

**A. Summary of Cash and Investments**

The following is a summary of cash and investments at June 30, 2015:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 27,921,858	\$ 2,400,552	\$ 2,371,427	\$ 32,693,837
Restricted cash and investments	1,873,215	835,114	15,466,974	18,175,303
<b>Total cash and investments</b>	<b>\$ 29,795,073</b>	<b>\$ 3,235,666</b>	<b>\$ 17,838,401</b>	<b>\$ 50,869,140</b>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 10,400
Deposits with financial institution	2,672,050
Total cash on hand and deposits	<u>2,682,450</u>
Local Agency Investment funds	4,242,110
San Mateo County Pool	25,769,277
Total investments	<u>30,011,387</u>
<b>Total City Treasury</b>	<u>32,693,837</u>
Cash with fiscal agent	<u>18,175,303</u>
<b>Total cash and investments</b>	<u><u>\$ 50,869,140</u></u>

**B. Deposits**

The carrying amount of the City's cash deposit was \$2,672,050 at June 30, 2015. Bank balances before reconciling items were a positive amount of \$3,075,316 at June 30, 2015. The City has waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**2. CASH AND INVESTMENTS, CONTINUED**

**B. Deposits, Continued**

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**C. Authorized Investments by the City**

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City. The following also identifies certain provisions of the City and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Entity's investment policy.

Under the provisions of the City's investment policy, and in accordance with the Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Government Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Demand Deposits	2 years	None	None
Money Market/Mutual Funds	2 years	20%	None
Repurchase Agreements	92 days	None	None
Passbook Savings Accounts	2 years	None	None
Negotiable Certificates of Deposit	2 years	30%	None
State Local Agency Investment Fund (LAIF)	2 years	\$50 million	None
San Mateo County Pooled Investment Funds	3 years	None	None
Guaranteed Investment Contracts	2 years	None	None
Medium Term Notes	5 years	30%	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**2. CASH AND INVESTMENTS, Continued**

*C. Investments*

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

Interest income	\$	245,968
Unrealized gain in changes in fair value of investments		<u>(983)</u>
<b>Total investment income</b>	<b>\$</b>	<b><u>244,985</u></b>

The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2015, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2015, the City had \$4,242,110 invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.96% in the previous year. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor of 0.99990 was used to calculate the fair value of the investments in the County Pool.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
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**2. CASH AND INVESTMENTS, Continued**

**D. Risk Disclosures**

*Interest Risk:* Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years.

Investments held in the City Treasury grouped by maturity date at June 30, 2015, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
City Local Agency Investment Fund	\$ 4,242,110	\$ 4,242,110	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	25,769,277	25,769,277	-	-	-	-
<b>Total</b>	<b>\$ 30,011,387</b>	<b>\$ 30,011,387</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Credit Risk:* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2015 for each investment type:

	Credit Quality Ratings	
	Moody's	S&P
Local Agency Investment Funds	Not Rated	Not Rated
San Mateo County Pool	Not Rated	Not Rated

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

**3. INTERFUND TRANSACTIONS**

**A. Due To/From Other Funds**

At June 30, 2015, the City had the following due to/from other funds:

<u>Due To General Fund</u>	<u>Due From Other Funds</u>
Non-Major Governmental Funds	\$ 168,194
Total	<u>\$ 168,194</u>

The amounts due to the General Fund from other funds represent reclassified temporary negative cash balances pending grant reimbursements or other receivables. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.



**City of East Palo Alto**  
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**3. INTERFUND TRANSACTIONS, Continued**

*B. Transfers*

At June 30, 2015, the City had the following transfers in/out which arise in the normal course of operations.

Transfers Out	Transfers In			Total
	General	Capital Improvements	Non-Major Governmental Funds	
Major Funds				
General Fund	\$ -	\$ 3,610,000	\$ 15,022	\$ 3,625,022
Non-major Govtl Funds	2,132	-	397,576	399,708
Total	\$ 2,132	\$ 3,610,000	\$ 412,598	\$ 4,024,730

Transfers to the General Fund from non-major funds were made for maintenance of park expenditures. Transfers from the General fund were made to: 1) the Capital Improvements Fund to fund various capital improvement projects, and 2) to non-major funds to fund drainage activities. Transfers between non-major funds primarily relate to funding an accumulated local shuttle grant program deficit from the Measure A fund.

**4. LOANS AND NOTES RECEIVABLE**

Loans receivable as of June 30, 2015, composed of the following, were held by the City:

	Balance as of June 30, 2015
Nairobi Housing Associates Loan	\$ 5,500,000
Nugent Square Partners Loan	1,100,000
Bay Road Housing Loan	410,000
First Time Home Buyer Assistance Loans	361,239
Habitat for Humanity	300,000
<b>Total:</b>	<b>\$ 7,671,239</b>

*A. Nairobi Housing Associates Loan*

On June 1, 1999, the former Agency entered into a loan agreement with Nairobi Housing Associates (Nairobi), a California Limited Partnership. The \$5,500,000 loan made by the former Agency to Nairobi was funded by a loan originally made by the David and Lucille Packard Foundation (Packard Foundation) to Bridge Housing Corporation and then passed through to Nairobi Housing Associates via the former Agency. Nairobi used the loan proceeds to develop approximately 129 multi-family rental housing units and ancillary landscaping, and other improvements inside the Gateway 101 redevelopment project area. The loan receivable accrues simple interest at the rate of one percent 1% per annum, commencing February 1, 2001. The entire principal amount is due to the Agency, now the housing successor, on June 18, 2036. The entire loan is secured by a note and deed of trust with Nairobi.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
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**4. LOANS AND NOTES RECEIVABLE, Continued**

***B. Nugent Square Partners***

On August 1, 2003, the former Agency entered into a loan agreement in the amount of \$1,100,000 with Nugent Square Partners, L.P. (Nugent), a California Limited Partnership to develop multi-family rental housing units and ancillary landscaping, and other improvements on the property located on University Avenue and Weeks Street. The loan accrues simple interest at the rate of 1% per annum. The entire principal amount is due to the former Agency, now the housing successor, in 2043.

***C. Bay Road Housing Loan***

In December 2004, the former Agency entered into a loan agreement with a housing developer. The Agency agreed to loan the developer a maximum loan of \$1.2 million over 20 years. Outstanding principal of the loan accrues at the simple interest rate of 2% per annum. The loan matures in December 2024.

***D. First Time Home Buyer Assistance Loans***

On December 21, 2004, Council approved a program for a down payment assistance loans to qualified homebuyers who met the criterion to purchase a below-market rate (BMR) home in East Palo Alto. Generally, the assistance consists of 30 year loans at a fixed rate of 3% interest; with payments deferred for the first five years.

***E. Habitat for Humanity Loan***

On May 24, 2011, the former Agency entered into a loan agreement in the amount of \$300,000 with Habitat for Humanity Greater San Francisco, Inc., a California nonprofit public benefit corporation to acquire, rehabilitate and sale of eligible properties to low income households. The loan bears a 3% per annum, commencing on initial disbursement. As of June 30, 2015, the outstanding loan balance was \$300,000.

***F. Loans to Successor Agency***

At June 30, 2015, the outstanding balance of \$11,704,213 is comprised of two advances to the former Agency which were assumed by the Successor Agency on February 1, 2012. Repayment of the loans receivable are conditional upon, and subject to, approval as enforceable obligations of the Successor Agency under California Dissolution Law. Upon approval of the loans as enforceable obligations, the amounts of repayment are subject to annual limits in available property tax increment. The City is currently in the process of seeking approval for repayment of the loans, as described on the following page:

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**4. LOANS AND NOTES RECEIVABLE, Continued**

*F. Loans to Successor Agency, Continued*

- a. *Ravenswood Repayment Agreement (\$5,290,483)* – provided for the ongoing assistance and services in connection with the implementation of the redevelopment plan for the Ravenswood Project Area. During the fiscal year 2011, the City and Agency made findings and amended the Repayment Agreement to provide for a repayment schedule to ensure full repayment of the outstanding balance. Interest on the outstanding principal is calculated utilizing LAIF rates as dictated under Dissolution Law.
  
- b. *Gateway/101Purchase and Sale Agreement (\$6,413,730)* – provided for the sale of the Ravenswood High School Site to the former Redevelopment Agency. This property was developed into a retail shopping center in the Gateway 101 Project Area. During the fiscal year 2011, the City and Agency made findings and amended the Repayment Agreement and the Purchase and Sale Agreement to specify the repayment terms for the purchase price of the property. There is no interest provision.

**City of East Palo Alto**  
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**For the year ended June 30, 2015**

**5. CAPITAL ASSETS**

Changes in capital assets during the year ended June 30, 2015, are comprised of the following:

	Balance as of June 30, 2014	Additions	Deletions	Balance at June 30, 2015
<b>Government activities</b>				
Capital assets not being depreciated:				
Land	\$ 621,094	\$ -	\$ -	\$ 621,094
Construction in progress	5,305,072	5,391,995	(3,642,352)	7,054,715
Total capital assets not being depreciated	<u>5,926,166</u>	<u>5,391,995</u>	<u>(3,642,352)</u>	<u>7,675,809</u>
Capital assets being depreciated:				
Infrastructure				
Streets and roadways	43,239,334	1,781,820	-	45,021,154
Storm drain system	4,089,492	-	-	4,089,492
Buildings and Improvements	5,288,781	-	-	5,288,781
Improvements other than buildings	4,941,663	2,020,463	-	6,962,126
Furniture, Fixtures, and Equipment	1,900,920	143,645	-	2,044,565
Vehicles	1,543,248	121,666	-	1,664,914
Total capital assets being depreciated	<u>61,003,438</u>	<u>4,067,594</u>	<u>-</u>	<u>65,071,032</u>
Less accumulated depreciation for:				
Infrastructure				
Streets and roadways	(27,989,653)	(653,697)	-	(28,643,350)
Storm drain system	(2,269,540)	(37,075)	-	(2,306,615)
Buildings and Improvements	(2,059,729)	(188,459)	-	(2,248,188)
Improvements other than building	(1,059,559)	(145,204)	-	(1,204,763)
Furniture, Fixtures and Equipment	(1,540,027)	(152,940)	-	(1,692,967)
Vehicles	(793,853)	(134,342)	-	(928,195)
Total accumulated depreciation	<u>(35,712,361)</u>	<u>(1,311,717)</u>	<u>-</u>	<u>(37,024,078)</u>
Total capital assets, being depreciated, net	<u>25,291,077</u>	<u>2,755,877</u>	<u>-</u>	<u>28,046,954</u>
Government activities capital assets, net	<u>\$ 31,217,243</u>	<u>\$ 8,147,872</u>	<u>\$ (3,642,352)</u>	<u>\$ 35,722,763</u>

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**5. CAPITAL ASSETS, Continued**

	Balance as of June 30, 2014	Additions	Transfers	Balance at June 30, 2015
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 206,750	\$ -	\$ -	\$ 206,750
Total capital assets not being depreciated	206,750	-	-	206,750
Capital assets being depreciated:				
Buildings and Improvements	43,790	-	-	43,790
Improvements other than buildings	7,057,659	-	-	7,057,659
Furniture, Fixtures, and Equipment	63,943	-	-	63,943
Vehicles	89,890	-	-	89,890
Total capital assets being depreciated	7,255,282	-	-	7,255,282
Less accumulated depreciation for:				
Buildings and Improvements	(43,790)	-	-	(43,790)
Improvements other than building	(3,520,815)	(195,291)	-	(3,716,106)
Furniture, Fixtures and Equipment	(63,943)	-	-	(63,943)
Vehicles	(89,890)	-	-	(89,890)
Total accumulated depreciation	(3,718,438)	(195,291)	-	(3,913,729)
Total capital assets, being depreciated, net	3,536,844	(195,291)	-	3,341,553
Business-type activities capital assets, net	\$ 3,743,594	\$ (195,291)	\$ -	\$ 3,548,303

**A. Capital Asset Contributions**

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
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**5. CAPITAL ASSETS, Continued**

**B. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

<b>Governmental Activities:</b>	
General Government	\$ 20,859
Public Safety	185,883
Culture and Recreation	879,231
Public Works	6,819
Community Development	218,925
	<u>1,311,717</u>
<b>Total Governmental Activities</b>	<b>\$ 1,311,717</b>
<b>Business-Type Activities:</b>	
Water Service	\$ 195,291
	<u>195,291</u>
<b>Total Business-Type Activities</b>	<b>\$ 195,291</b>

**C. Capital Project Commitments**

The City has commitments under the following significant capital, infrastructure and other projects and programs.

Project	Project Authorization	Expended through June 30, 2015	Committed
Safe Routes to School Cycle 3	\$ 41,950	\$ 40,809	\$ 1,141
Safe Routes to School	1,112,300	1,112,300	-
Street Resurfacing	863,690	863,690	-
Bell Street Playground Project	225,000	225,000	-
Bay Road Phase II Improvements	1,254,200	772,369	481,831
Highway 101 Pedestrian-Bicycle Overcrossing	989,745	434,640	555,105
University Avenue Interchange	994,979	298,856	696,123
Cooley Landing Park	5,115,000	4,819,458	295,542
Gloria Way Well Retrofit	755,598	412,500	343,098
Runnymede Storm Drain Project: Phase II	2,081,599	1,279,352	802,247
San Franciscquito Creek Flood Control Project	800,000	300,000	500,000
General Plan and Zoning Code Update	1,550,000	715,859	834,141
	<u>\$ 15,784,061</u>	<u>\$ 11,274,833</u>	<u>\$ 4,509,228</u>

**City of East Palo Alto**  
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**6. LONG-TERM DEBT**

The City's debt issues and transactions are summarized below and discussed in detail thereafter:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
2013 Capital Lease - 5 Police Vehicles 3.25% due 2/1/17	\$ 84,721	\$ -	\$ 30,895	\$ 53,826	\$ 31,921
2015 Capital Lease - 2 Police Vehicles 3.25% due 12/23/18	-	121,666	14,359	107,307	29,426
<b>Total</b>	<b>\$ 84,721</b>	<b>\$ 121,666</b>	<b>\$ 45,254</b>	<b>\$ 161,133</b>	<b>\$ 61,347</b>

***2013 Capital Lease - 5 Police Vehicles***

On February 1, 2013, the City of East Palo Alto purchased five 2013 Dodge Chargers for the police department and entered into an equipment lease purchase agreement with Capital One Public Funding, LLC, in an amount not to exceed \$127,212 with an interest rate of 3.25% and due on February 1, 2017.

Under the capital lease terms, the City will have the option to purchase the vehicles upon giving written notice to the lessor at least thirty days before the date of purchase. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Position as appropriate. Capital lease payments are made exclusively from legally available funds.

Future capital lease payments at June 30, 2015 are as follows:

For the Year Ending Balance June 30, 2015	Police Vehicle Capital Lease		
	Principal	Interest	Total
2016	\$ 31,921	1,273	\$ 33,194
2017	21,905	267	22,172
Total Payments Due	<b>\$ 53,826</b>	<b>\$ 1,540</b>	<b>\$ 55,366</b>

***2015 Capital Lease - 2 Police Vehicles***

On December 23, 2014, the City of East Palo Alto purchased two 2015 Police Interceptor Utility AWD vehicles with installed emergency equipment for the police department and entered into an equipment lease purchase agreement with PNC Equipment Finance, LLC, in an amount not to exceed \$121,666 with an interest rate of 3.25% and due on December 23, 2018. Principal and interest is payable on the first day of every month and commencing on January 23, 2015.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
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**6. LONG-TERM DEBT, Continued**

*2015 Capital Lease - 2 Police Vehicles, Continued*

Under the capital leases terms, the City will have the option to purchase the vehicles upon giving written notice to the lessor at least thirty days before the date of purchase. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Position as appropriate. Capital lease payments are made exclusively from legally available funds.

Future capital lease payments at June 30, 2015 are as follows:

For the Year Ending Balance June 30, 2015	Police Interceptor Utility AWD Capital Lease		
	Principal	Interest	Total
2016	\$ 29,426	\$ 3,052	\$ 32,478
2017	30,397	2,080	32,477
2018	31,399	1,080	32,479
2019	16,085	153	16,238
Total Payments Due	<u>\$ 107,307</u>	<u>\$ 6,365</u>	<u>\$ 113,672</u>

**7. OPERATING LEASE**

The City leases building and office facility space under noncancellable operating leases. Total costs for such leases were \$488,307 for governmental activities and \$58,376 for business-type activities for the fiscal year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2016	\$ 550,645
2017	556,931
	<u>\$ 1,107,576</u>

**8. COMPENSATED ABSENCES**

Compensated absences comprise of unpaid vacation and are accrued as earned. The City's liability for compensated absences is recorded in various governmental funds. The liability for compensated absences is determined annually. Compensated absences are reported in governmental funds only if they have matured. The matured portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Balance 1-Jul-14	Additions	Deletions	Balance 30-Jun-15	Due Within One Year
<b>Governmental Activities</b>					
Compensated Leave Payable	<u>\$ 680,753</u>	<u>\$ 644,754</u>	<u>\$ (861,549)</u>	<u>\$ 463,958</u>	<u>\$ 301,562</u>



**City of East Palo Alto**  
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**9. FUND BALANCES**

Detailed classifications of the City's Fund Balances, as of June 30, 2015, are below:

	<b>Major Governmental Funds</b>					<b>Total</b>
	General Fund	Low and Moderate Income Housing Successor Special Revenue Fund	Public Improvements in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund	Other Government Funds	
Fund Balances						
<b>Nonspendable fund balance:</b>						
Loans to Successor Agency	11,704,213	-	-	-	-	11,704,213
Deposits and prepayments	65,778	-	-	-	-	65,778
	<u>11,769,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,769,991</u>
<b>Restricted fund balance for:</b>						
Low and Moderate						
Income Housing	-	10,770,090	-	-	-	10,770,090
Gas Tax	-	-	-	-	2,170,081	2,170,081
Federal and State						
Law Enforcement	-	-	-	-	29,653	29,653
Park in Lieu	-	-	-	-	160,728	160,728
Rent Stabilization	-	-	-	-	459,223	459,223
Housing in Lieu	-	-	-	-	2,394,044	2,394,044
Housing Assistance	-	-	-	-	389,286	389,286
Public Improvement in Lieu	-	-	188,644	-	-	188,644
Measure A	-	-	-	-	1,861,490	1,861,490
CYSFF Children/Youth/ Seniors/Family	-	-	-	-	588,872	588,872
Lighting District	-	-	-	-	1,376,038	1,376,038
Drainage District	-	-	-	-	130,731	130,731
Measure C	-	-	-	-	1,464,460	1,464,460
Capital projects	-	-	-	628,149	-	628,149
Other Purposes	-	-	-	-	73,488	73,488
	<u>-</u>	<u>10,770,090</u>	<u>188,644</u>	<u>628,149</u>	<u>11,098,094</u>	<u>22,684,977</u>
<b>Assigned fund balance for:</b>						
Capital projects	-	-	-	1,913,459	-	1,913,459
Other Purposes	187,141	-	-	-	-	187,141
	<u>187,141</u>	<u>-</u>	<u>-</u>	<u>1,913,459</u>	<u>-</u>	<u>2,100,600</u>
<b>Unassigned fund balance</b>						
Minimum fund balance reserve	2,743,000	-	-	-	-	2,743,000
Community benefits reserve	400,000	-	-	-	-	400,000
CIP Reserve	2,077,443	-	-	-	-	2,077,443
Information Technology Reserve	817,541	-	-	-	-	817,541
Vehicles and Equipment Reserve	284,261	-	-	-	-	284,261
Self Insurance Reserve	1,428,501	-	-	-	-	1,428,501
Other	5,471,120	-	-	-	(233,356)	5,237,764
	<u>13,221,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,356)</u>	<u>12,988,510</u>
<b>Total Fund Balances</b>	<u><b>25,178,998</b></u>	<u><b>10,770,090</b></u>	<u><b>188,644</b></u>	<u><b>2,541,608</b></u>	<u><b>10,864,738</b></u>	<u><b>49,544,078</b></u>

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**10. FUND BALANCE/NET POSITION DEFICIT AND EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The NPDES Special Revenue Fund, US EPA, and Local Grants Special Revenue Fund had fund balance deficits of \$2,704, \$200,838, and \$29,814 respectively at June 30, 2015. The deficit is expected to be eliminated with the receipt of grant awards and future revenues.

The following funds had expenditures in excess of appropriations:

Fund	Excess
<b>Special Revenue Fund:</b>	
Federal and State Law Enforcement	\$ 156,965
Federal and State Grants	5,197

**11. RETIREMENT BENEFITS**

**A. CALPERS Safety and Miscellaneous Employees Plans**

Plan Description

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) a cost sharing multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined on an actuarial basis as of June 30 of each year. The City must contribute the amounts determined by CALPERS.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**11. RETIREMENT PLANS, Continued**

**A. CALPERS Safety and Miscellaneous Employees Plans, Continued**

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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Safety	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit Formula	3.0% @ 55	2.5% @ 55
Benefit payment	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4 - 3%	2 - 2.5%
Required employee contribution rates	9.00%	8.00%
Required employer contribution rates	26.753%	15.544%
	Safety	Miscellaneous
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2.00%
Required employee contribution rates	11.50%	6.25%
Required employer contribution rates	11.50%	6.25%

**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. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
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**11. RETIREMENT PLANS, Continued**

**A. CALPERS Safety and Miscellaneous Employees Plans, Continued**

For the year ended June 30, 2015, the contributions recognized against net pension liability for the Plans were as follows:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety PEPRA
Contributions - employer	\$ 597,566	\$ 68,018	\$ 754,432	\$ 57,367

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous - Classic	\$ 2,634,454
Miscellaneous - PEPRA	3,373
Safety - Classic	5,216,506
Safety - PEPRA	2,136
<b>Total Net Pension Liability</b>	<b>\$ 7,856,469</b>

The City's net pension liabilities for the Plans are measured as the proportionate share of the total net pension liability of each Plan. The net pension liability of the Plans are measured as of June 30, 2014, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 were as follows:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety PEPRA
Proportion - June 30, 2013	0.098396%	0.000141%	0.1221309%	0.000059%
Proportion - June 30, 2014	0.106590%	0.014000%	0.1390700%	0.000006%
Change - Increase (Decrease)	0.008194%	0.013859%	0.0169391%	-0.000053%

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
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**11. RETIREMENT PLANS, Continued**

**A. CALPERS Safety and Miscellaneous Employees Plans, Continued**

For the year ended June 30, 2015, the City recognized pension expense of \$1,391,252. At June 30, 2015, 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
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 1,477,383	\$ -
Changes in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions	711,093	(537,247)
Net differences between projected and actual earnings on plan investments		(1,295,914)
	<u>                    </u>	<u>                    </u>
Total	\$ 2,188,476	\$ (1,833,161)
	<u>                    </u>	<u>                    </u>

Pension contributions subsequent to the measurement date in the amount of \$1,477,383 and 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 ending June 30, 2016.

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 Ending June 30:	Deferred Outflows/(Inflows) of Resources
<u>                    </u>	<u>                    </u>
2016	\$ (328,721)
2017	(328,721)
2018	(290,346)
2019	(174,280)

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**11. RETIREMENT PLANS, Continued**

**A. CALPERS Safety and Miscellaneous Employees Plans, Continued**

*Actuarial Assumptions* - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plans</u>	<u>Safety Plans</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Projected Salary Increase	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	(1) 7.50%	7.50%
Mortality	Derived by CalPERS membership data for all funds	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50% for the Plan. 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees

Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate resulted in a slightly higher total pension liability and net pension liability; however, CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**11. RETIREMENT PLANS, Continued**

**A. CALPERS Safety and Miscellaneous Employees Plans, Continued**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through fiscal year 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time the methodology is changed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**11. RETIREMENT PLANS, Continued**

**A. CALPERS Safety and Miscellaneous Employees Plans, Continued**

*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:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety PEPRA	Total
1% Decrease	6.50%	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$ 4,116,989	\$ 6,010	\$ 7,290,506	\$ 3,676	\$ 11,417,181
Current Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$ 2,634,454	\$ 3,373	\$ 5,216,506	\$ 2,136	\$ 7,856,469
1% Increase	8.50%	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$ 1,404,091	\$ 1,185	\$ 3,507,620	\$ 867	\$ 4,913,763

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**B. Deferred Compensation Plan**

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan (Plan) created in accordance with Internal Revenue Code Section 401(a) and (k). Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. The City has contracts with various outside third party administrators to manage and invest the assets of the Plan. The administrators pool the assets of the Plan with those of other participants and do not make separate investments for the City. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.



**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**12. RISK MANAGEMENT**

**A. Insurance Coverage**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City participates in the ABAG Plan Corporation (ABAG PLAN), a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG PLAN covers general liability claims in an amount up to \$5 million, and property liability claims up to \$100,000 per occurrence. The City has a deductible or uninsured liability of up to \$100,000 per liability claim and \$5,000 per property claim. Once the City's deductible is met, ABAG becomes responsible for payment of all claims up to the limit. ABAG PLAN also purchases excess insurance policies over ABAG PLAN limits up to \$20,000,000 in general liability coverage and provides for replacement cost of property claims, subject to terms of the policies.

The State Compensation Insurance Fund provides workers' compensation insurance with a \$1 million per occurrence coverage. The City has no deductible for the worker's compensation insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources.

**B. Liability for Uninsured Claims**

The City provides for the uninsured portion of claims and judgments in the Workers' Compensation and General Liability. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims including a provision for claims incurred but not reported was computed as follows based on claims experience for the years ended June 30, 2014 and 2015:

	2014	2015
Beginning balance of claims payable	\$ 22,203	\$ 91,836
Increase/Decrease in estimated claims liability	499,962	(42,651)
Claims paid	(430,329)	(26,982)
Ending balance of claims payable	<u>\$ 91,836</u>	<u>\$ 22,203</u>
Current Portion	<u>\$ 13,775</u>	<u>\$ 3,330</u>

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**12. JOINT VENTURES**

The City participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements; including, the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that Board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

***A. South Bayside Waste Management Authority***

The City is one of twelve members of the South Bayside Waste Management Authority (SBWMA), which is a joint powers agreement that the City commenced on March 1, 2000. The SBWMA was formed in 1982 to provide cost-effective waste reduction, recycling, and solid waste programs to member agencies in order to meet and sustain a minimum 50% diversion of waste from landfill as mandated by California State Law, AB939. SBWMA owns the Shoreway Environmental Center which serves as a regional solid waste and recycling facility and is operated by South Bay Recycling (SBR) on behalf of the SBWMA. The City has no equity interest in SBWMA. Through the operation of franchise agreements with each member, RECOLOGY collects fees charged for the use of the facilities and remits them to the SBWMA. Pursuant to an Operations Agreement with the SBWMA, RECOLOGY is compensated based on costs, a provision for profit and incentives for cost savings and performance. Financial statements may be obtained by mailing a request to 610 Elm Street, Suite 202, San Carlos, CA 94070.

***B. San Francisquito Creek Joint Powers Authority***

The City is also one of five members of the San Francisquito Creek Joint Powers Authority (SFCJPA) which exists to manage flood control and other environmental issues surrounding the San Francisquito Creek. The City has no equity interest in the SFCJPA. Financial statements may be obtained by mailing a request to 3723 Haven Avenue, Suite 127, Menlo Park, CA 94025.

***C. City/County Association of Governments of San Mateo County (C/CAG)***

The City/County Association of Governments of San Mateo County is a joint powers agency formed in 1990 between the various cities and transportation agencies in San Mateo County to prepare, adopt, monitor and enforce state mandated plans related to transportation, airport land use, storm water pollution prevention, and climate protection. The City's contribution to C/CAG was \$68,864 for the year ended June 30, 2015. An annual report may be obtained at 555 County Center 5<sup>th</sup> Floor, Redwood City, CA. 94063.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**13. CONTINGENT LIABILITIES AND COMMITMENTS**

**A. *Lease Agreement with American Water Service, Inc.***

On April 9, 2001, the City entered into a lease agreement with American Water Services, Inc. (the Company) and agreed to lease the water system owned by the City to the Company. The Company is responsible for operating, maintaining and managing the water system as well as bill and collect water services charges and utility tax from the City's residents and water customers. The Company also agreed to pay lease payments and franchise fees to the City. The franchise fees and lease payments represents 5% and 6%, respectively, of the net revenue, defined as gross revenue of the Company received from the City's residents net of utility tax collected and transferred to the City.

The City has retained title of the Water System and related capital assets related to the lease. The Company agrees to use the Water System to furnish potable water service and water service for fire protection to all customers in the service area. The Company may not retire, sell, transfer; convey, or encumber any real property or personal property of the Water System without the prior written consent of City.

As of June 30, 2015, the City has capitalized \$3,938,884 for the Water system and services related capital assets. For the year ended June 30, 2015, the Company paid lease payments and franchise fees to the City in the amount of \$275,365 and \$231,394 respectively.

**B. *Contingent Liabilities***

The City is subject to litigation arising in the normal course of operations. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City has received federal and state grants for specific purposes that are subject to reviews by the grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although City expects such amounts, if any, to be immaterial.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**

*A. Redevelopment Dissolution*

On June 28, 2011 the State of California adopted ABx1 26 (AB 26) which, in Late December 2011, was upheld by the California Supreme Court to be largely constitutional. This action, together with AB 1484 enacted on June 27, 2012, are referred to as "Dissolution Law" as related to former redevelopment agencies. Under the existing Dissolution Laws, California redevelopment agencies were dissolved as of February 1, 2012 and cannot enter into new projects, obligations or commitments. Beginning in February 2012, Successor Agencies, together with other designated entities, initiated the process under AB 26 to unwind the affairs of the dissolved agencies. This action impacted the reporting entity of the City of East Palo Alto in that the City had previously reported a redevelopment agency (former Agency) as a blended component unit of the City.

On January 10, 2012, the City Council elected to serve as the Successor Agency to the former Agency whereby the Successor Agency holds assets, reports obligations, and otherwise oversees the wind-down of the affairs of the former Agency as dictated by the Dissolution Laws and subject to control and approval of an established Oversight Board and the California Department of Finance.

Furthermore, on January 10, 2012, the City also elected to serve as the former Agency's Housing Successor and retain the housing assets of the former Agency. On February 1, 2012 certain housing assets were transferred to the City's Housing Successor Special Revenue Fund.

Since February 1, 2012, the Successor Agency has complied with existing Dissolution Laws, including completing a due diligence review, obtaining a finding of completion, obtaining approval of the long-range property management plan, completing timely reporting of recognized obligation schedules. The Successor Agency continues to conduct the fiduciary activities of the Dissolution Laws until such time the affairs and obligations of the former Agency are complete.

Cash and investments of the Successor Agency as of June 30, 2015 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2015.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

**B. Capital Assets**

Pursuant to existing Dissolution Law, the California Department of Finance completed its review of the Successor Agency's Long-Range Property Management Plan (Plan). Under the terms of the Plan, the Successor Agency will implement a wind-down and transfer of capital assets whereby the assets will be transferred to the City for restricted municipal purposes. As such, land previously reported as Land Held for Resale is reclassified as a capital land asset pending implementation of the Plan.

All capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date donated.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method whereby the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Infrastructure	7-55 years
Buildings and Improvements	30 years
Furniture, Fixtures and Equipment	5-10 years
Automobiles and Trucks	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

**C. Capital Assets, Continued**

Capital assets recorded at June 30 comprise:

	Balance as of June 30, 2014	Reclassifications	Additions	Balance at June 30, 2015
<b>Successor Agency</b>				
Capital assets not being depreciated:				
Land	\$ 296,466	\$ 537,429	\$ -	\$ 833,895
Construction in progress	561,970	-	-	561,970
Total capital assets not being depreciated	<u>858,436</u>	<u>537,429</u>	<u>-</u>	<u>1,395,865</u>
Capital assets being depreciated:				
Improvements other than buildings	2,046,206	-	-	2,046,206
Total capital assets being depreciated	<u>2,046,206</u>	<u>-</u>	<u>-</u>	<u>2,046,206</u>
Less accumulated depreciation for:				
Improvements other than buildings	(130,406)	-	(65,204)	(195,610)
Total accumulated depreciation	<u>(130,406)</u>	<u>-</u>	<u>(65,204)</u>	<u>(195,610)</u>
Total capital assets, being deing depreciated, net	<u>1,915,800</u>	<u>-</u>	<u>(65,204)</u>	<u>1,850,596</u>
Successor Agency capital assets, net	<u>\$ 2,774,236</u>	<u>\$ 537,429</u>	<u>\$ (65,204)</u>	<u>\$ 3,246,461</u>

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

*D. Long-Term Debt*

The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2014	Retirements	Discount/ Premium Amortization	Balance at June 30, 2015	Current Portion
<b>Former Redevelopment Agency</b>						
1999 Tax Allocation Bonds						
4.200-6.625% due 10/1/2032	\$ 22,785,000	\$ 13,803,050	\$ (520,000)	\$ 3,034	\$ 13,286,084	\$ 550,000
2003 Tax Allocation Refunding Bonds						
Series A						
4.00-5.00% due 10/1/2032	5,155,000	4,918,951	(15,000)	2,836	4,906,787	15,000
2003 Tax Allocation Refunding Bonds						
Series B						
4.12-6.45% due 10/1/2032	3,600,000	2,910,000	(85,000)	-	2,825,000	90,000
<b>Public Financing Authority</b>						
2005 Revenue Bonds, Series A						
3.40-5.00% due 10/1/2029	17,995,000	15,896,335	(670,000)	(23,089)	15,203,246	700,000
Total		<u>\$ 37,528,336</u>	<u>\$ (1,290,000)</u>	<u>\$ (17,219)</u>	<u>\$ 36,221,117</u>	<u>\$ 1,355,000</u>

**1999 Tax Allocation Bonds**

On October 28, 1999, the former Agency issued \$22,785,000 of Universal Circle-Gateway 1010 Corridor Merged Project Area Tax Allocation Bonds, Series 1999 (1999 Bonds). The bonds were issued to finance the redevelopment activities within the Successor Agency's Gateway 101 Corridor Redevelopment Project Area, to refinance and retire certain obligations related to the project area, to fund capitalized interest on a portion of the 1999 bonds, to fund a reserve account for the bonds, and to pay issuance costs.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

*D. Long-Term Debt, Continued*

**1999 Tax Allocation Bonds, Continued**

Future debt service on the 1999 bonds, which are payable to the East Palo Alto Financing Authority, at June 30 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 550,000	\$ 861,663	\$ 1,411,663
2017	585,000	824,775	1,409,775
2018	620,000	785,612	1,405,612
2019	665,000	743,850	1,408,850
2020	705,000	699,325	1,404,325
2021-2025	4,295,000	2,707,140	7,002,140
2026-2030	5,915,000	1,030,022	6,945,022
Subtotal	13,335,000	<u>\$ 7,652,387</u>	<u>\$ 20,987,387</u>
Bond Discount	(48,916)		
<b>Total</b>	<u>\$ 13,286,084</u>		

**2003 Tax Allocation Bonds**

On December 11, 2003, the former Agency issued \$5,155,000 University Circle-Gateway 101 Corridor Merged Project Area Tax Allocation Bonds-Series 2003A and \$3,600,000 Refunding Bonds, Series 2003B. The bonds were issued to refund the portion of the 1999 Bonds that mature on October 1, 2032, to refinance and retire certain obligations related to the project area, to fund capitalized interest on a portion of the 2003 bonds, to fund a reserve account for the bonds, and to pay issuance costs.

Future debt service on the 2003A bonds at June 30, 2015, assuming no redemptions of the 2003A bonds other than scheduled mandatory sinking account redemption are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 15,000	\$ 246,882	\$ 261,882
2017	15,000	246,169	261,169
2018	20,000	245,337	265,337
2019	20,000	244,387	264,387
2020	20,000	243,437	263,437
2021-2025	115,000	1,201,869	1,316,869
2026-2030	140,000	1,170,750	1,310,750
2031-2033	4,610,000	353,000	4,963,000
Subtotal	4,955,000	<u>\$ 3,951,831</u>	<u>\$ 8,906,831</u>
Bond Discount	(48,213)		
<b>Total</b>	<u>\$ 4,906,787</u>		



**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

*D. Long-Term Debt, Continued*

**2003 Tax Allocation Bonds, Continued**

Future debt service on the 2003B bonds at June 30, 2015, assuming no redemptions of the 2003A bonds other than scheduled mandatory sinking account redemption are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 90,000	\$ 176,848	\$ 266,848
2017	95,000	171,113	266,113
2018	100,000	165,068	265,068
2019	105,000	158,713	263,713
2020	115,000	151,893	266,893
2021-2025	680,000	641,626	1,321,626
2026-2030	930,000	386,034	1,316,034
2031-2033	710,000	70,306	780,306
Subtotal	<u>\$ 2,825,000</u>	<u>\$ 1,921,601</u>	<u>\$ 4,746,601</u>

**2005 East Palo Alto Public Financing Authority Bonds**

On August 1, 2005, the East Palo Alto Public Financing Authority (Authority) issued \$17,995,000 University Circle-Gateway 101 Corridor Merged Project Area Revenue Bonds, 2005 Series A. The proceeds of the 2005 Authority Bonds were used to execute a purchase in lieu of redemption of the 1999 Bonds scheduled to mature on October 1, 2010 through and including October 1, 2029 on their October 1, 2009 call date; pay interest costs on the 2005 Authority Bonds up to and including October 1, 2009; and provide the City, through the Authority, with additional funds for infrastructure costs. The purchase in lieu of redemption of the 1999 Bonds through the issuance of the 2005 Authority Bonds generated \$1,360,000 in additional funds for general government projects throughout the City.

The purchase in lieu of redemption is structured differently from a standard refunding in that on the October 1, 2009 call date, the 1999 Bonds scheduled to mature on October 1, 2010 through and including October 1, 2029, were purchased from bond holders and became the property of the Authority. In other words, there were no changes to the 1999 Bonds after the October 1, 2009 purchase date. After the October 1, 2009 purchase date the Authority, in its role as a Joint Powers Authority (the "JPA"), became the owner of the 1999 Bonds. As a result of the redevelopment agency dissolution, as of June 30, 2012, both the direct investment of the 1999 bonds and the long-term debt bond are recorded in the Successor Agency Private Purpose Trust Fund.

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

*D. Long-Term Debt, Continued*

**2005 Tax Allocation Bonds, Continued**

Future debt service on the 2005 bonds at June 30, 2015, assuming no redemptions of the 2003A bonds other than scheduled mandatory sinking account redemption are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 700,000	\$ 706,990	\$ 1,406,990
2017	735,000	671,115	1,406,115
2018	770,000	633,490	1,403,490
2019	815,000	596,921	1,411,921
2020	845,000	561,857	1,406,857
2021-2025	4,840,000	2,168,181	7,008,181
2026-2030	6,175,000	802,125	6,977,125
Subtotal	14,880,000	<u>\$ 6,140,679</u>	<u>\$ 21,020,679</u>
Bond Premium	323,246		
<b>Total</b>	<u>\$ 15,203,246</u>		

*E. Deferred Inflows of Resources*

The Successor Agency recorded the following item as deferred inflows of resources as of June 30, 2015.

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
2003 Refunding Tax Allocation				
Bonds Deferred Gain on Refunding	<u>\$ 328,704</u>	<u>\$ -</u>	<u>\$ (18,261)</u>	<u>\$ 310,443</u>

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,**  
**Continued**

*F. Subsequent Events*

**Bond Refunding** - On July 21, 2015, the Successor Agency adopted a resolution to refund the 1999 Tax Allocation Bonds, the 2003 Series A Bonds, and the 2003 Series B Bonds pursuant to the provisions of section 34177.5 of the California Health and Safety Code and section 53580 of the California Government Code. On September 1, 2015 the Successor Agency issued \$16,950,000 Tax Allocation Refunding Bonds, Series 2015A and \$2,500,000 Taxable Tax Allocation Refunding Bonds, Series 2015B. Certain proceeds of the refunding bonds were subsequently used to call the East Palo Alto Public Financing Authority 2005 Revenue Bonds on October 1, 2015.

**New Dissolution Law** - On September 22, 2015, Senate Bill (SB) 107 was signed into law. SB 107 enacts significant changes to current redevelopment dissolution laws, the most significant of which pertain to revitalizing loan agreements between sponsoring entities (the City) and former redevelopment agencies. Under SB 107, since the Successor Agency has received a finding of completion, the Oversight Board may re-approve the loans for legitimate redevelopment purposes thereby revitalizing the loan agreements between the City and the former Redevelopment Agency which had previously been denied as enforceable obligations. The ultimate outcome of the status of the loan agreements is pending and will be determined through an approval process with the Oversight Board, and finally, the Department of Finance.

**15. PRIOR PERIOD ADJUSTMENT**

The City recorded prior period adjustments to reallocate project expenditures to funding sources, correct the recording of sales tax and transient occupancy taxes, record the beginning balance of the net pension liability, and to record employer contributions made for pension in fiscal year 2014 as a deferred outflow of resources.

Government-wide Statements

	Net Position, as Previously Reported	Prior Period Adjustment			Net Position, as Restated
		Taxes Receivable	Deferred Employer Pension Contributions	Net Pension Liability	
Government-Wide Statements					
Governmental Activities	\$ 78,961,872	\$ 466,429	\$ 1,487,397	\$ (9,074,682)	\$ 71,841,016

**City of East Palo Alto**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**15. PRIOR PERIOD ADJUSTMENT, Continued**

*Fund Statements*

	Fund Balance, as Previously Reported	Prior Period Adjustment				Fund Balance, as Restated
		Taxes Receivable	Cash and Investments	Transient Occupancy Tax	Unavailable Revenue	
General Fund	\$ 24,158,057	\$ 466,429	\$ 6,866	\$ (400,000)	\$ (156,229)	\$ 24,075,123
Capital Improvements Capital Projects Fund	\$ 1,693,764	\$ -	\$ (109,238)	\$ -	\$ -	\$ 1,584,526
NPDES Fees Special Revenue Fund	\$ (4)	\$ -	\$ (77,178)	\$ -	\$ -	\$ (77,182)
Federal and State Grants Special Revenue Fund	\$ 90,418	\$ -	\$ (24,730)	\$ -	\$ -	\$ 65,688
Measure A Special Revenue Fund	\$ 1,860,183	\$ -	\$ 109,238	\$ -	\$ -	\$ 1,969,421
Measure C Special Revenue Fund	\$ 1,483,198	\$ -	\$ 17,864	\$ -	\$ -	\$ 1,501,062
Measure M Special Revenue Fund	\$ (77,178)	\$ -	\$ 77,178	\$ -	\$ -	\$ -
Housing in Lieu Special Revenue Fund	\$ 1,809,580	\$ -	\$ -	\$ 200,000	\$ -	\$ 2,009,580
CYSFF Child/Family Special Revenue Fund	\$ 305,661	\$ -	\$ -	\$ 200,000	\$ -	\$ 505,661

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of East Palo Alto**  
**Required Supplementary Information**  
**For the year ended June 30, 2015**

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**BUDGETS AND BUDGETARY ACCOUNTING**

***A. Budgeting Procedures***

The City adopts a budget annually for all governmental fund types, except for capital projects. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of budgetary control is the fund level. The City Council may amend the budget by resolution during the fiscal year. The City Manager has the authority to make adjustments to the operating budget between departments within the same fund. Transfers of operating budgets between funds, use of unappropriated fund balances, and significant changes in capital improvement project budgets require the approval of the City Council.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except for Housing Assistance and Public Improvements in Lieu Special Revenue Funds; and Capital Improvements Capital Projects Fund which are adopted on a project length basis.

***B. Encumbrances***

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to set aside that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

**C. Budgetary Comparison Schedules**

The following are the budget comparison schedules for all major Governmental Funds.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 8,778,974	\$ 9,350,000	\$ 9,727,047	\$ 377,047
Sales taxes	3,346,420	3,850,000	3,471,044	(378,956)
Transient occupancy tax	2,084,000	2,160,000	2,185,515	25,515
Utility users tax	1,556,020	1,556,020	1,513,088	(42,932)
Other taxes	-	13,700	13,738	38
Licenses, fees and permits	904,500	904,500	932,302	27,802
Charges for services	1,367,760	1,428,660	1,733,090	304,430
Fines and forfeitures	259,340	259,340	368,621	109,281
Use of money and property	51,000	51,000	88,989	37,989
Grants and intergovernmental	128,500	128,500	578,979	450,479
Miscellaneous	19,500	419,500	516,342	96,842
<b>Total revenues</b>	<b>18,496,014</b>	<b>20,121,220</b>	<b>21,128,755</b>	<b>1,007,535</b>
<b>EXPENDITURES:</b>				
Current:				
General government	3,769,188	3,769,188	2,934,877	834,311
Public safety	9,958,570	9,910,470	9,489,881	420,589
Public works	1,975,130	2,025,130	1,962,445	62,685
Culture and recreation	358,290	354,790	256,003	98,787
Community development	2,225,195	2,217,695	1,877,933	339,762
Capital Outlay	225,000	234,100	2,517	231,583
<b>Total expenditures</b>	<b>18,511,373</b>	<b>18,511,373</b>	<b>16,523,656</b>	<b>1,987,717</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(15,359)</b>	<b>1,609,847</b>	<b>4,605,099</b>	<b>2,995,252</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital lease financing	-	121,665	121,666	(1)
Transfers in	4,740	-	2,132	(2,132)
Transfers out	(3,682,047)	(3,682,047)	(3,625,022)	57,025
<b>Total other financing sources (uses)</b>	<b>(3,677,307)</b>	<b>(3,560,382)</b>	<b>(3,501,224)</b>	<b>54,892</b>
<b>Net change in fund balance</b>	<b>\$ (3,692,666)</b>	<b>\$ (1,950,535)</b>	<b>1,103,875</b>	<b>\$ 3,054,410</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			24,075,123	
End of year			\$ 25,178,998	

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

*D. Budgetary Comparison Schedules, Continued*

Budgetary Comparison Schedule, Low and Moderate Income Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ 8	\$ 8
Use of money and property	-	-	88,094	88,094
Grants and intergovernmental	60,000	60,000	15,000	(45,000)
Miscellaneous	-	-	4,898	4,898
<b>Total revenues</b>	<b>60,000</b>	<b>60,000</b>	<b>108,000</b>	<b>48,000</b>
<b>EXPENDITURES:</b>				
Community development	60,000	60,000	-	60,000
<b>Total expenditures</b>	<b>60,000</b>	<b>60,000</b>	<b>-</b>	<b>60,000</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>108,000</b>	<b>\$ 108,000</b>
<b>FUND BALANCE:</b>				
Beginning of year			10,662,090	
End of year			\$ 10,770,090	



**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

*D. Budgetary Comparison Schedules, Continued*

Budgetary Comparison Schedule, Public Improvements in Lieu Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 10,734	\$ 10,734	\$ 25,273	\$ 14,539
Use of money and property	-	-	1,195	1,195
<b>Total revenues</b>	<u>10,734</u>	<u>10,734</u>	<u>26,468</u>	<u>15,734</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	20,000	20,000	1,610	18,390
Culture and recreation	15,000	150,000	-	150,000
Capital outlay	992,000	992,000	45,461	946,539
<b>Total expenditures</b>	<u>1,027,000</u>	<u>1,162,000</u>	<u>47,071</u>	<u>1,114,929</u>
<b>Net change in fund balance</b>	<u>\$ (1,016,266)</u>	<u>\$ (1,151,266)</u>	(20,603)	<u>\$ 1,130,663</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>209,247</u>	
End of year			<u>\$ 188,644</u>	

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN**

*A. Miscellaneous (Classic) Plan*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

As of June 30, 2015  
 Last of 10 Years\*

	<u>6/30/2014</u>
Proportion of the net pension liability	0.04234%
Proportionate share of the net pension liability	\$ 2,634,454
Covered - employee payroll	\$ 4,328,510
Proportionate Share of the net pension liability as percentage of covered-employee payroll	60.86%
Plan's fiduciary net position	\$ 8,540,763
Plan fiduciary net position as a percentage of the total pension liability	76.43%

**Notes to Schedule:**

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*A. Miscellaneous (Classic) Plan, Continued*

**SCHEDULE OF CONTRIBUTIONS**

As of June 30, 2015

Last 10 Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 597,566
Contribution in relation to the actuarially determined contributions	<u>(597,566)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 3,509,670
Contributions as a percentage of covered-employee payroll	17.03%

**Note to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20%, depending on Age, Service, and employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	55 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*B. Miscellaneous (PEPRA) Plan*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

As of June 30, 2015  
 Last of 10 Years\*

	<u>6/30/2014</u>
Proportion of the net pension liability	0.00005%
Proportionate share of the net pension liability	\$ 3,373
Covered - employee payroll	\$ 322,994
Proportionate Share of the net pension liability as percentage of covered-employee payroll	1.04%
Plan's fiduciary net position	\$ 16,504
Plan fiduciary net position as a percentage of the total pension liability	83.03%

**Notes to Schedule:**

\*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*B. Miscellaneous (PEPRA) Plan, Continued*

**SCHEDULE OF CONTRIBUTIONS**

As of June 30, 2015

Last 10 Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 68,018
Contribution in relation to the actuarially determined contributions	<u>(68,018)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,102,663
Contributions as a percentage of covered-employee payroll	6.17%
<b>Note to Schedule</b>	
Valuation date:	6/30/2012
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Not available
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	Not available
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	62 years
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*C. Safety (Classic) Plan*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

As of June 30, 2015  
 Last of 10 Years\*

	<u>6/30/2014</u>
Proportion of the net pension liability	0.08383%
Proportionate share of the net pension liability	\$ 5,216,506
Covered - employee payroll	\$ 3,125,334
Proportionate Share of the net pension liability as percentage of covered-employee payroll	166.91%
Plan's fiduciary net position	\$ 10,267,168
Plan fiduciary net position as a percentage of the total pension liability	66.31%

**Notes to Schedule:**

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*C. Safety (Classic) Plan, Continued*

**SCHEDULE OF CONTRIBUTIONS**

As of June 30, 2015

Last 10 Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 754,432
Contribution in relation to the actuarially determined contributions	(754,432)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,736,026
Contributions as a percentage of covered-employee payroll	27.57%
<b>Note to Schedule</b>	
Valuation date:	6/30/2012
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20%, depending on Age, Service, and employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	55 years
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*D. Safety (PEPRA) Plan*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

As of June 30, 2015  
 Last of 10 Years\*

	<u>6/30/2014</u>
Proportion of the net pension liability	0.00003%
Proportionate share of the net pension liability	\$ 2,136
Covered - employee payroll	\$ 231,861
Proportionate Share of the net pension liability as percentage of covered-employee payroll	0.92%
Plan's fiduciary net position	\$ 9,359
Plan fiduciary net position as a percentage of the total pension liability	81.42%

**Notes to Schedule:**

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.



**City of East Palo Alto**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

*D. Safety (PEPRA) Plan, Continued*

**SCHEDULE OF CONTRIBUTIONS**

As of June 30, 2015

Last 10 Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 57,367
Contribution in relation to the actuarially determined contributions	<u>(57,367)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 498,847
Contributions as a percentage of covered-employee payroll	11.50%
<b>Note to Schedule</b>	
Valuation date:	6/30/2012
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Not available
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	Not available
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	57 years
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

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# **SUPPLEMENTARY INFORMATION**

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

*NPDES Fees Fund* accounts for the revenues and expenditures from assessments levied on property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of storm water and flood related damage.

*Gas Tax Fund* accounts for funds received from the State of California to use for street and highway related projects.

*Federal and State Law Enforcement Fund* accounts for the receipt and use of State and Federal law enforcement related grant money.

*Park in Lieu Fund* accounts for park in lieu fees collected from developers.

*Rent Stabilization Fund* accounts for revenues and expenditures to support rent stabilization activities.

*Federal and State Grants Fund* accounts for grant money received and expended from various Federal and State government grants.

*US EPA Fund* accounts for U.S. Environmental Protection Agency grant money received and expended.

*Housing in Lieu Fund* accounts for developer fees and deposits in lieu of providing affordable housing and 10% of TOT taxes collected as approved by voters and the expenditures related to housing.

*Housing Assistance Fund* accounts for first time home buyer assistance program activities.

*Measure A Fund* accounts for the City's Measure A revenues and expenditures. Measure A is a half-cent sales tax to support countywide (San Mateo County) transportation projects and programs.

*CYSFF Children/Youth/Seniors/Family Fund* accounts for 10% of TOT taxes collected as approved by voters and the City Council approved funding for various non-profit organizations related to Children/Youth/Seniors/Family programs.

*Lighting District Fund* accounts for revenues (property taxes) and expenditures for the Ravenswood Highway Lighting District.

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS (CONTINUED)

*Drainage District Fund* accounts for revenues (property taxes) and expenditures for the East Palo Alto Maintenance Drainage District.

*Measure C Fund* accounts for the revenues and expenditures of Measure C Special Parcel tax. Measure C was approved by the voters in November 2006. The tax is annual parcel tax and the funds are to be used to support violence prevention and public safety intervention.

*Local Grants Special Revenue Fund* accounts for revenues and expenditures from local public and private grants including the C/CAG Shuttle and the CA Endowment grants.

**City of East Palo Alto**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue					
	NPDES Fees	Gas Tax	Federal and State Law Enforcement		Park in Lieu	Rent Stabilization Fund
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 2,212,486	\$ -	\$ 160,673	\$ 483,980	
Restricted cash and investments	-	-	-	37,209	-	
Receivables:						
Accrued interest	6	3,190	-	-	-	
Taxes	-	-	-	-	-	
Intergovernmental	-	-	57,025	-	-	
Accounts receivable	-	-	-	245	783	
Deposits and prepayments	-	-	-	-	-	
Loans and notes receivable	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 6</b>	<b>\$ 2,215,676</b>	<b>\$ 57,025</b>	<b>\$ 198,127</b>	<b>\$ 484,763</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 2,710	\$ 45,595	\$ -	\$ 190	\$ 25,540	
Retentions payable	-	-	-	-	-	
Other accrued liabilities	-	-	-	-	-	
Unearned revenue	-	-	-	37,209	-	
Due to other funds	-	-	27,372	-	-	
<b>Total liabilities</b>	<b>2,710</b>	<b>45,595</b>	<b>27,372</b>	<b>37,399</b>	<b>25,540</b>	
<b>Deferred inflows of resources:</b>						
Unavailable revenue - grants	-	-	-	-	-	
<b>Fund Balances:</b>						
Restricted	-	2,170,081	29,653	160,728	459,223	
Unassigned	(2,704)	-	-	-	-	
<b>Total fund balances</b>	<b>(2,704)</b>	<b>2,170,081</b>	<b>29,653</b>	<b>160,728</b>	<b>459,223</b>	
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6</b>	<b>\$ 2,215,676</b>	<b>\$ 57,025</b>	<b>\$ 198,127</b>	<b>\$ 484,763</b>	

Special Revenue

Federal and State Grants	US EPA	Housing in Lieu	Housing Assistance	Measure A	CYSFF Child/ Family	Lighting District
\$ 69,037	\$ -	\$ 2,306,927	\$ 130,832	\$ 1,934,107	\$ 591,468	\$ 1,378,762
-	-	-	-	-	-	-
-	-	3,045	-	3,075	672	2,031
-	-	28,733	-	-	28,732	-
14,880	200,840	-	-	-	-	-
-	-	55,339	5,209	54,210	-	-
-	-	-	-	2,664	-	-
-	-	-	253,245	-	-	-
<u>\$ 83,917</u>	<u>\$ 200,840</u>	<u>\$ 2,394,044</u>	<u>\$ 389,286</u>	<u>\$ 1,994,056</u>	<u>\$ 620,872</u>	<u>\$ 1,380,793</u>
\$ 5,293	\$ 60,017	\$ -	\$ -	\$ 46,860	\$ 32,000	\$ 4,755
-	-	-	-	85,706	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	140,822	-	-	-	-	-
<u>5,293</u>	<u>200,839</u>	<u>-</u>	<u>-</u>	<u>132,566</u>	<u>32,000</u>	<u>4,755</u>
<u>5,136</u>	<u>200,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
73,488	-	2,394,044	389,286	1,861,490	588,872	1,376,038
-	(200,838)	-	-	-	-	-
<u>73,488</u>	<u>(200,838)</u>	<u>2,394,044</u>	<u>389,286</u>	<u>1,861,490</u>	<u>588,872</u>	<u>1,376,038</u>
<u>\$ 83,917</u>	<u>\$ 200,840</u>	<u>\$ 2,394,044</u>	<u>\$ 389,286</u>	<u>\$ 1,994,056</u>	<u>\$ 620,872</u>	<u>\$ 1,380,793</u>

**City of East Palo Alto**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue			Total
	Drainage District	Measure C	Local Grants	Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 139,436	\$ 1,550,288	\$ 45,560	\$ 11,003,556
Restricted cash and investments	-	-	-	37,209
Receivables:				
Accrued interest	210	2,110	-	14,339
Taxes	-	-	-	57,465
Intergovernmental	-	-	193,477	466,222
Accounts receivable	-	-	-	115,786
Deposits and prepayments	-	-	-	2,664
Loans and notes receivable	-	-	-	253,245
<b>Total assets</b>	<b>\$ 139,646</b>	<b>\$ 1,552,398</b>	<b>\$ 239,037</b>	<b>\$ 11,950,486</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,915	\$ 87,938	\$ 27,374	\$ 347,187
Retentions payable	-	-	-	85,706
Other accrued liabilities	-	-	48,000	48,000
Unearned revenue	-	-	-	37,209
Due to other funds	-	-	-	168,194
<b>Total liabilities</b>	<b>8,915</b>	<b>87,938</b>	<b>75,374</b>	<b>686,296</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - grants	-	-	193,477	399,452
<b>Fund Balances:</b>				
Restricted	130,731	1,464,460	-	11,098,094
Unassigned	-	-	(29,814)	(233,356)
<b>Total fund balances</b>	<b>130,731</b>	<b>1,464,460</b>	<b>(29,814)</b>	<b>10,864,738</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 139,646</b>	<b>\$ 1,552,398</b>	<b>\$ 239,037</b>	<b>\$ 11,950,486</b>



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**City of East Palo Alto**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2015**

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
<b>REVENUES:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	-	-
Utility users tax	-	-	-	-	-
Other taxes	-	968,025	-	-	-
Licenses, fees and permits	-	-	-	-	-
Charges for services	140,037	-	-	-	739,207
Fines and forfeitures	-	-	-	-	-
Use of money and property	101	12,054	5	947	2,446
Grants and intergovernmental	-	-	367,251	-	-
Miscellaneous	-	802	-	1,186	630
<b>Total revenues</b>	<b>140,138</b>	<b>980,881</b>	<b>367,256</b>	<b>2,133</b>	<b>742,283</b>
<b>EXPENDITURES:</b>					
Current:					
General government	14,568	177,163	-	-	539,669
Public safety	-	-	332,961	-	-
Public works	66,114	404,263	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	250	122
Capital outlay	-	-	31,139	3,209	-
<b>Total expenditures</b>	<b>80,682</b>	<b>581,426</b>	<b>364,100</b>	<b>3,459</b>	<b>539,791</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>59,456</b>	<b>399,455</b>	<b>3,156</b>	<b>(1,326)</b>	<b>202,492</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	15,022	-	-	48,153	-
Transfers out	-	-	-	(2,132)	-
<b>Total other financing sources (uses)</b>	<b>15,022</b>	<b>-</b>	<b>-</b>	<b>46,021</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>74,478</b>	<b>399,455</b>	<b>3,156</b>	<b>44,695</b>	<b>202,492</b>
<b>FUND BALANCES:</b>					
Beginning of the year, as restated	(77,182)	1,770,626	26,497	116,033	256,731
End of year	\$ (2,704)	\$ 2,170,081	\$ 29,653	\$ 160,728	\$ 459,223

Special Revenue

Federal and State Grants	US EPA	Housing in Lieu	Housing Assistance	Measure A	CYSFF Child/ Family	Lighting District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,910
-	-	-	-	581,960	-	-
-	-	318,502	-	-	299,525	-
-	-	-	-	-	-	-
-	-	-	-	-	-	136,621
-	-	-	430	-	-	-
-	-	-	-	-	-	-
-	-	11,610	8,306	11,745	2,627	7,560
59,997	390,976	-	-	-	-	-
-	-	80,724	-	2,565	307	1,183
<u>59,997</u>	<u>390,976</u>	<u>410,836</u>	<u>8,736</u>	<u>596,270</u>	<u>302,459</u>	<u>432,274</u>
-	-	26,372	-	12,680	16,487	62,862
-	-	-	-	-	-	-
-	-	-	-	-	-	157,155
-	-	-	-	-	132,744	-
52,197	-	-	-	67,916	70,017	1,200
-	593,057	-	-	274,182	-	-
<u>52,197</u>	<u>593,057</u>	<u>26,372</u>	<u>-</u>	<u>354,778</u>	<u>219,248</u>	<u>221,217</u>
7,800	(202,081)	384,464	8,736	241,492	83,211	211,057
-	-	-	-	-	-	-
-	-	-	-	(349,423)	-	-
-	-	-	-	(349,423)	-	-
7,800	(202,081)	384,464	8,736	(107,931)	83,211	211,057
65,688	1,243	2,009,580	380,550	1,969,421	505,661	1,164,981
<u>\$ 73,488</u>	<u>\$ (200,838)</u>	<u>\$ 2,394,044</u>	<u>\$ 389,286</u>	<u>\$ 1,861,490</u>	<u>\$ 588,872</u>	<u>\$ 1,376,038</u>

**City of East Palo Alto**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2015**

	Special Revenue			Total Non-Major Governmental Funds
	Drainage District	Measure C	Local Grants	
<b>REVENUES:</b>				
Property taxes	\$ 72,040	\$ -	\$ -	\$ 358,950
Sales taxes	-	-	-	581,960
Transient occupancy tax	-	-	-	618,027
Utility users tax	-	-	-	-
Other taxes	-	697,881	-	1,802,527
Licenses, fees and permits	-	-	-	-
Charges for services	-	-	-	879,674
Fines and forfeitures	-	-	-	-
Use of money and property	1,051	8,864	-	67,316
Grants and intergovernmental	-	-	254,063	1,072,287
Miscellaneous	55	878	-	88,330
<b>Total revenues</b>	<b>73,146</b>	<b>707,623</b>	<b>254,063</b>	<b>5,469,071</b>
<b>EXPENDITURES:</b>				
Current:				
General government	12,491	7,759	-	870,051
Public safety	-	335,844	127,929	796,734
Public works	106,637	-	-	734,169
Culture and recreation	-	400,622	-	533,366
Community development	-	-	193,478	385,180
Capital outlay	-	-	-	901,587
<b>Total expenditures</b>	<b>119,128</b>	<b>744,225</b>	<b>321,407</b>	<b>4,221,087</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(45,982)</b>	<b>(36,602)</b>	<b>(67,344)</b>	<b>1,247,984</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	349,423	412,598
Transfers out	-	-	(48,153)	(399,708)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>301,270</b>	<b>12,890</b>
<b>Net change in fund balances</b>	<b>(45,982)</b>	<b>(36,602)</b>	<b>233,926</b>	<b>1,260,874</b>
<b>FUND BALANCES:</b>				
Beginning of the year, as restated	176,713	1,501,062	(263,740)	9,603,864
End of year	\$ 130,731	\$ 1,464,460	\$ (29,814)	\$ 10,864,738

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### NPDES Fees Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 130,100	\$ 130,100	\$ 140,037	\$ 9,937
Use of money and property	-	-	101	101
<b>Total revenues</b>	<b>130,100</b>	<b>130,100</b>	<b>140,138</b>	<b>10,038</b>
<b>EXPENDITURES:</b>				
Current:				
General government	14,567	14,567	14,568	(1)
Public safety	7,500	7,500	-	7,500
Public works	77,725	77,725	66,114	11,611
Culture and recreation	465	465	-	465
Community development	67,796	67,796	-	67,796
<b>Total expenditures</b>	<b>168,053</b>	<b>168,053</b>	<b>80,682</b>	<b>87,371</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(37,953)</b>	<b>(37,953)</b>	<b>59,456</b>	<b>97,409</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	35,590	35,590	15,022	(20,568)
<b>Total other financing sources (uses)</b>	<b>35,590</b>	<b>35,590</b>	<b>15,022</b>	<b>(20,568)</b>
<b>Net change in fund balance</b>	<b>\$ (37,953)</b>	<b>\$ (37,953)</b>	<b>74,478</b>	<b>\$ 76,841</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			(77,182)	
End of year			\$ (2,704)	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Gas Tax Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other taxes	\$ 845,532	\$ 845,532	\$ 968,025	\$ 122,493
Use of money and property	-	-	12,054	12,054
Miscellaneous	-	-	802	802
<b>Total revenues</b>	<b>845,532</b>	<b>845,532</b>	<b>980,881</b>	<b>135,349</b>
<b>EXPENDITURES:</b>				
Current:				
General government	177,532	177,532	177,163	369
Public works	407,757	407,757	404,263	3,494
<b>Total expenditures</b>	<b>715,289</b>	<b>715,289</b>	<b>581,426</b>	<b>133,863</b>
<b>Net change in fund balance</b>	<b>\$ 130,243</b>	<b>\$ 130,243</b>	<b>399,455</b>	<b>\$ 269,212</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,770,626	
End of year			\$ 2,170,081	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Federal and State Law Enforcement Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ 5	\$ 5
Grants and intergovernmental	183,333	283,333	367,251	83,918
<b>Total revenues</b>	<b>183,333</b>	<b>283,333</b>	<b>367,256</b>	<b>83,923</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	99,135	199,135	332,961	(133,826)
Capital outlay	8,000	8,000	31,139	(23,139)
<b>Total expenditures</b>	<b>107,135</b>	<b>207,135</b>	<b>364,100</b>	<b>(156,965)</b>
<b>Net change in fund balance</b>	<b>\$ 76,198</b>	<b>\$ 76,198</b>	<b>3,156</b>	<b>\$ (73,042)</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			26,497	
End of year			\$ 29,653	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Park in Lieu Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ -	\$ -	\$ 947	\$ 947
Miscellaneous	-	-	1,186	1,186
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>2,133</b>	<b>2,133</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	-	-	250	(250)
Capital outlay	-	40,000	3,209	36,791
<b>Total expenditures</b>	<b>-</b>	<b>40,000</b>	<b>3,459</b>	<b>36,541</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(40,000)</b>	<b>(1,326)</b>	<b>38,674</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	48,153	48,153
Transfer out	-	-	(2,132)	(2,132)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>46,021</b>	<b>46,021</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (40,000)</b>	<b>44,695</b>	<b>\$ 84,695</b>
<b>FUND BALANCE:</b>				
Beginning of year			116,033	
End of year			\$ 160,728	



# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Rent Stabilization Fund Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 575,000	\$ 575,000	\$ 739,207	\$ 164,207
Use of money and property	-	-	2,446	2,446
Miscellaneous	-	-	630	630
<b>Total revenues</b>	<b>575,000</b>	<b>575,000</b>	<b>742,283</b>	<b>167,283</b>
<b>EXPENDITURES:</b>				
Current:				
General government	625,913	625,913	539,669	86,244
Community development	-	-	122	(122)
<b>Total expenditures</b>	<b>625,913</b>	<b>625,913</b>	<b>539,791</b>	<b>86,122</b>
<b>Net change in fund balance</b>	<b>\$ (50,913)</b>	<b>\$ (50,913)</b>	<b>202,492</b>	<b>\$ 253,405</b>
<b>FUND BALANCE:</b>				
Beginning of year			256,731	
End of year			\$ 459,223	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Federal and State Grants Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and intergovernmental	\$ 47,000	\$ 47,000	\$ 59,997	\$ 12,997
<b>Total revenues</b>	<b>47,000</b>	<b>47,000</b>	<b>59,997</b>	<b>12,997</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	47,000	47,000	52,197	(5,197)
<b>Total expenditures</b>	<b>47,000</b>	<b>47,000</b>	<b>52,197</b>	<b>(5,197)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>7,800</b>	<b>\$ 7,800</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			65,688	
End of year			<b>\$ 73,488</b>	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### US EPA Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and intergovernmental	\$ 1,159,000	\$ 1,159,000	\$ 390,976	\$ (768,024)
<b>Total revenues</b>	<b>1,159,000</b>	<b>1,159,000</b>	<b>390,976</b>	<b>(768,024)</b>
<b>EXPENDITURES:</b>				
Capital outlay	1,159,000	1,159,000	593,057	565,943
<b>Total expenditures</b>	<b>1,159,000</b>	<b>1,159,000</b>	<b>593,057</b>	<b>565,943</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(202,081)</b>	<b>\$ (202,081)</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,243	
End of year			\$ (200,838)	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Housing in Lieu Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Transient occupancy tax	\$ 252,800	\$ 252,800	\$ 318,502	\$ 65,702
Use of money and property	-	-	11,610	11,610
Miscellaneous	-	-	80,724	80,724
<b>Total revenues</b>	<b>252,800</b>	<b>252,800</b>	<b>410,836</b>	<b>158,036</b>
<b>EXPENDITURES:</b>				
Current:				
General government	29,111	29,111	26,372	2,739
<b>Total expenditures</b>	<b>29,111</b>	<b>29,111</b>	<b>26,372</b>	<b>2,739</b>
<b>Net change in fund balance</b>	<b>\$ 223,689</b>	<b>\$ 223,689</b>	<b>384,464</b>	<b>\$ 160,775</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			2,009,580	
End of year			\$ 2,394,044	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Housing Assistance Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ 430	\$ 430
Use of money and property	-	-	8,306	8,306
<b>Total revenues</b>	-	-	8,736	8,736
<b>EXPENDITURES:</b>				
Current:				
Community development	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	8,736	<u>\$ 8,736</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>380,550</u>	
End of year			<u>\$ 389,286</u>	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Measure A Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales taxes	\$ 552,100	\$ 552,100	\$ 581,960	\$ 29,860
Use of money and property	-	-	11,745	11,745
Miscellaneous	-	-	2,565	2,565
<b>Total revenues</b>	<b>552,100</b>	<b>552,100</b>	<b>596,270</b>	<b>44,170</b>
<b>EXPENDITURES:</b>				
Current:				
General government	12,638	12,638	12,680	(42)
Public works	40,000	40,000	-	40,000
Culture and recreation	20,000	20,000	-	20,000
Community development	110,000	110,000	67,916	42,084
Capital outlay	612,500	612,500	274,182	338,318
<b>Total expenditures</b>	<b>795,138</b>	<b>795,138</b>	<b>354,778</b>	<b>440,360</b>
<b>Net change in fund balance</b>	<b>\$ (243,038)</b>	<b>\$ (243,038)</b>	<b>(107,931)</b>	<b>\$ 484,530</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			1,969,421	
End of year			\$ 1,861,490	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### CYSFF Child/Family Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Transient occupancy tax	\$ 258,900	\$ 258,900	\$ 299,525	\$ 40,625
Use of money and property	-	-	2,627	2,627
Miscellaneous	-	-	307	307
<b>Total revenues</b>	<b>258,900</b>	<b>258,900</b>	<b>302,459</b>	<b>43,559</b>
<b>EXPENDITURES:</b>				
Current:				
General government	16,487	16,487	16,487	-
Culture and recreation	150,000	150,000	132,744	17,256
Community development	70,000	70,000	70,017	(17)
<b>Total expenditures</b>	<b>236,487</b>	<b>236,487</b>	<b>219,248</b>	<b>17,239</b>
<b>Net change in fund balance</b>	<b>\$ 22,413</b>	<b>\$ 22,413</b>	<b>83,211</b>	<b>\$ 60,798</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			505,661	
End of year			\$ 588,872	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Lighting District Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 205,100	\$ 205,100	\$ 286,910	\$ 81,810
Other taxes	128,500	128,500	136,621	8,121
Use of money and property	-	-	7,560	7,560
Miscellaneous	-	-	1,183	1,183
<b>Total revenues</b>	<b>333,600</b>	<b>333,600</b>	<b>432,274</b>	<b>98,674</b>
<b>EXPENDITURES:</b>				
Current:				
General government	61,443	61,443	62,862	(1,419)
Public works	328,097	328,097	157,155	170,942
Community development	2,000	2,000	1,200	800
Capital outlay	50,000	50,000	-	50,000
<b>Total expenditures</b>	<b>441,540</b>	<b>441,540</b>	<b>221,217</b>	<b>220,323</b>
<b>Net change in fund balance</b>	<b>\$ (107,940)</b>	<b>\$ (107,940)</b>	<b>211,057</b>	<b>\$ 318,997</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,164,981	
End of year			<u>\$ 1,376,038</u>	



# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Drainage District Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 59,080	\$ 59,080	\$ 72,040	\$ 12,960
Use of money and property	-	-	1,051	1,051
Miscellaneous	-	-	55	55
<b>Total revenues</b>	<b>59,080</b>	<b>59,080</b>	<b>73,146</b>	<b>14,066</b>
<b>EXPENDITURES:</b>				
Current:				
General government	12,330	12,330	12,491	(161)
Public works	142,882	142,882	106,637	36,245
<b>Total expenditures</b>	<b>155,212</b>	<b>155,212</b>	<b>119,128</b>	<b>36,084</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(96,132)</b>	<b>(96,132)</b>	<b>(45,982)</b>	<b>50,150</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	80,048	80,048	-	(80,048)
<b>Total other financing sources (uses)</b>	<b>80,048</b>	<b>80,048</b>	<b>-</b>	<b>(80,048)</b>
<b>Net change in fund balance</b>	<b>\$ (96,132)</b>	<b>\$ (96,132)</b>	<b>(45,982)</b>	<b>\$ 50,150</b>
<b>FUND BALANCE:</b>				
Beginning of year			176,713	
End of year			\$ 130,731	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Measure C Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other taxes	\$ 700,000	\$ 700,000	\$ 697,881	\$ (2,119)
Use of money and property	-	-	8,864	8,864
Miscellaneous	-	-	878	878
<b>Total revenues</b>	<b>700,000</b>	<b>700,000</b>	<b>707,623</b>	<b>7,623</b>
<b>EXPENDITURES:</b>				
Current:				
General government	8,000	8,000	7,759	241
Public safety	385,749	385,749	335,844	49,905
Culture and recreation	612,654	612,654	400,622	212,032
<b>Total expenditures</b>	<b>1,006,403</b>	<b>1,006,403</b>	<b>744,225</b>	<b>262,178</b>
<b>Net change in fund balance</b>	<b>\$ (306,403)</b>	<b>\$ (306,403)</b>	<b>(36,602)</b>	<b>\$ 269,801</b>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			1,501,062	
End of year			\$ 1,464,460	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Measure M Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and intergovernmental	\$ 98,851	\$ 98,851	\$ -	\$ (98,851)
<b>Total revenues</b>	<b>98,851</b>	<b>98,851</b>	<b>-</b>	<b>(98,851)</b>
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	63,261	63,261	-	63,261
<b>Total expenditures</b>	<b>63,261</b>	<b>63,261</b>	<b>-</b>	<b>63,261</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>35,590</b>	<b>35,590</b>	<b>-</b>	<b>(35,590)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(35,590)	(35,590)	-	35,590
<b>Total other financing sources (uses)</b>	<b>(35,590)</b>	<b>(35,590)</b>	<b>-</b>	<b>35,590</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ -	

# City of East Palo Alto

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Local Grants

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and intergovernmental	\$ 300,000	\$ 450,000	\$ 254,063	\$ (195,937)
<b>Total revenues</b>	<b>300,000</b>	<b>450,000</b>	<b>254,063</b>	<b>(195,937)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	\$ -	\$ 150,000	\$ 127,929	\$ 22,071
Community development	300,000	300,000	193,478	106,522
<b>Total expenditures</b>	<b>300,000</b>	<b>450,000</b>	<b>321,407</b>	<b>128,593</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(67,344)</b>	<b>(67,344)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	349,424	349,423	(1)
Transfer out	-	-	(48,153)	(48,153)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>349,424</b>	<b>301,270</b>	<b>(48,154)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 349,424</b>	<b>233,926</b>	<b>\$ (115,498)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(263,740)	
End of year			<u>\$ (29,814)</u>	

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# STATISTICAL SECTION

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This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, noted disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

## *Financial Trends*

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

## *Revenue Capacity*

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

## *Debt Capacity*

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Redevelopment Tax Allocation Bonds

## *Demographic and Economic Information*

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

## *Operating Information*

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Number of Positions - City Government by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

## *Operating Information*

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City Implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**City of East Palo Alto**  
**Net Position by Component**  
**June 30, 2015**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Government activities</b>										
Net investment in capital assets	20,574,619	21,298,218	\$ 24,175,266	\$ 24,877,257	\$ 25,163,127	\$ 28,011,307	\$ 28,412,193	\$ 29,816,204	\$ 31,132,522	\$ 35,561,630
Restricted For:										
Debt Service	-	-	19,881,567	20,744,394	4,421,602	2,034,560	-	-	-	-
Public Safety	239,521	97,796	460,293	-	-	-	-	-	-	-
Highways and streets	2,622,482	3,372,600	3,725,541	4,152,124	4,234,053	2,851,472	2,771,433	3,017,783	15,634,589	16,305,726
Parks and recreation	1,431,231	1,304,783	1,379,246	1,147,341	940,572	703,171	713,964	358,473	496,583	550,014
Low and moderate income housing	2,132,049	9,616,232	10,937,302	11,546,134	12,383,908	10,997,923	-	-	-	-
Housing programs	-	-	-	-	-	1,342,896	1,517,432	2,088,380	13,108,951	14,012,643
Special programs	-	-	-	-	-	-	-	-	726,772	954,220
Capital projects	-	-	-	-	-	-	-	-	2,342,665	3,278,313
Measure C programs	-	-	-	1,334,347	1,219,908	1,158,492	1,350,227	1,505,044	1,483,198	1,464,460
Total restricted	6,425,283	14,391,411	36,383,949	38,924,340	23,200,043	19,088,514	6,353,056	6,969,680	33,792,758	36,565,376
Unrestricted	(19,556,466)	(20,401,483)	(29,124,597)	(27,641,786)	(13,680,807)	(8,749,180)	33,078,872	37,447,102	14,036,592	9,266,583
<b>Total governmental activities net assets</b>	<b>7,443,436</b>	<b>15,288,146</b>	<b>31,434,618</b>	<b>36,159,811</b>	<b>34,682,363</b>	<b>38,350,641</b>	<b>67,844,121</b>	<b>74,232,986</b>	<b>78,961,872</b>	<b>81,393,589</b>
<b>Business-type activities</b>										
Net investment in capital assets	5,657,772	5,381,783	5,100,616	4,867,912	4,503,722	4,319,814	4,134,175	3,938,884	3,743,594	3,548,303
Restricted For:										
Capital Projects	-	-	-	-	834,095	834,286	834,470	836,720	834,882	835,114
Total restricted					834,095	834,286	834,470	836,720	834,882	835,114
Unrestricted	1,186,307	1,738,594	2,459,697	2,360,001	1,483,820	1,055,762	1,037,305	1,453,874	1,685,818	1,889,840
<b>Total business-type activities net assets</b>	<b>6,844,079</b>	<b>7,120,377</b>	<b>7,560,313</b>	<b>7,227,913</b>	<b>6,821,637</b>	<b>6,209,862</b>	<b>6,005,950</b>	<b>6,229,478</b>	<b>6,264,294</b>	<b>6,273,257</b>
<b>Primary Government</b>										
Net investment in capital assets	26,232,391	26,680,001	29,275,882	29,745,169	29,666,849	32,331,121	32,546,368	33,755,088	34,876,116	39,109,933
Restricted	6,425,283	14,391,411	36,383,949	38,924,340	24,034,138	19,922,800	7,187,526	7,806,400	34,627,640	37,400,490
Unrestricted	(18,370,159)	(18,662,889)	(26,664,900)	(25,281,785)	(12,196,987)	(7,693,418)	34,116,177	38,900,976	15,722,410	11,156,423
<b>Total primary government net assets</b>	<b>14,287,515</b>	<b>22,408,523</b>	<b>38,994,931</b>	<b>43,387,724</b>	<b>41,504,000</b>	<b>44,560,503</b>	<b>73,850,071</b>	<b>80,462,464</b>	<b>85,226,166</b>	<b>87,666,846</b>

City of East Palo Alto  
Change in Net Position  
June 30, 2015  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	2,991,380	3,170,200	3,932,553	3,859,589	5,119,297	4,700,459	4,634,178	4,396,506	4,055,087	3,660,815
Public safety	9,010,553	9,220,203	8,935,880	10,309,298	11,005,614	10,972,657	10,374,212	10,408,814	10,808,292	10,307,266
Culture and recreation	779,360	798,679	700,497	4,076,009	1,228,036	1,333,904	1,525,961	513,923	775,115	786,238
Public works	2,190,525	2,964,223	3,063,920	459,853	4,036,926	3,055,334	3,028,589	3,521,107	3,371,899	4,622,878
Community Development	3,303,821	3,131,545	3,603,493	5,920,364	7,230,567	5,333,924	3,340,428	2,608,543	3,147,112	2,419,345
Interest on long-term debt	1,959,772	2,744,481	2,618,397	3,067,294	2,882,117	2,291,283	1,295,832	1,306	1,429	-
Total governmental activities	20,235,411	22,029,331	22,854,740	27,692,407	31,502,557	27,687,561	24,199,200	21,450,199	22,158,934	21,796,542
<b>Business-type activities</b>										
Water Service	511,861	440,589	524,709	460,887	619,277	439,826	326,502	340,916	402,914	357,769
Garbage collection:	1,732,952	1,765,870	1,895,331	1,708,893	1,616,967	2,602,083	2,583,098	2,174,074	2,353,590	2,420,314
Total business-type activities	2,244,813	2,206,459	2,420,040	2,169,780	2,236,244	3,041,909	2,909,600	2,514,990	2,756,504	2,778,083
Total primary government expenses	22,480,224	24,235,790	25,274,780	29,862,187	33,738,801	\$ 30,729,470	27,108,800	23,965,189	24,915,438	24,574,625
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for services:										
General government	16,227	41,641	3,481	19,249	2,536	18,101	4,744	5,153	6,549	11,512
Public safety	222,306	99,012	186,210	173,177	207,305	249,676	248,855	242,704	283,271	392,781
Culture and recreation	7,235	7,696	11,808	43,638	11,411	91,961	311,158	11,429	-	-
Public works	539,740	178,202	121,665	104,772	47,852	169,034	79,138	114,107	337,426	129,437
Community Development	1,270,591	966,262	1,211,953	765,015	455,586	1,049,045	1,203,310	1,427,453	1,440,886	1,660,988
Operating Grants and Contributions	2,256,982	4,419,015	3,214,779	4,162,714	4,896,638	3,621,393	3,799,544	4,616,972	2,794,311	3,353,230
Capital Grants and Contributions	461,214	435,188	3,416,868	1,614,942	178,073	1,266,486	703,817	1,414,317	2,767,803	4,289,620
Total governmental activities program revenues	4,774,295	6,147,016	8,166,764	6,883,507	5,799,401	6,465,696	6,350,566	7,832,135	7,630,246	9,837,568
<b>Business-type activities</b>										
Charges for services										
Water Service	218,900	329,539	885,986	199,816	174,743	243,750	223,037	259,353	258,045	275,339
Garbage collection:	1,757,508	2,059,546	1,895,698	1,679,492	1,642,054	2,163,837	2,462,700	2,465,513	2,523,718	2,498,723
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,976,408	2,389,085	2,781,684	1,879,308	1,816,797	2,407,587	2,685,737	2,724,866	2,781,763	2,774,062
Total primary government primary revenues	6,750,703	8,536,101	10,948,448	8,762,815	7,616,198	8,873,283	9,036,303	10,557,001	10,412,009	12,611,630
<b>Net Revenue (Expenses):</b>										
<b>Governmental Activities</b>	(15,461,116)	(15,882,315)	(14,687,976)	(20,808,900)	(25,703,156)	(21,221,865)	(17,848,634)	(13,618,064)	(14,528,688)	(11,958,974)
<b>Business-type Activities</b>	(268,405)	182,626	361,644	(290,472)	(419,447)	(634,322)	(223,863)	209,876	25,259	(4,021)
Total Net Revenue (Expenses)	(15,729,521)	(15,699,689)	(14,326,332)	(21,099,372)	(26,122,603)	(21,856,187)	(18,072,497)	(13,408,188)	(14,503,429)	(11,962,995)

**General Revenues and Other Changes in Net Position**

<b>Governmental activities</b>										
<b>Taxes</b>										
Property Taxes	10,604,932	16,143,870	16,230,210	17,193,291	15,934,214	15,291,232	12,338,184	10,752,244	9,411,575	10,260,689
Utility Users Tax	1,417,642	1,585,722	1,582,042	1,647,057	1,591,204	1,502,939	1,418,457	1,434,208	1,464,049	1,513,088
Parcel Tax	-	-	702,840	710,500	717,549	704,164	717,528	702,084	719,704	711,619
Sales Tax	2,750,392	2,481,442	2,524,797	2,424,013	2,301,318	2,870,854	3,003,836	3,022,310	3,113,705	3,798,237
Transient occupancy tax	980,973	1,586,173	1,959,798	1,610,286	1,720,233	2,269,128	1,886,852	2,145,044	2,452,951	2,803,542
Franchise and business Tax	230,561	201,344	139,173	94,542	97,979	177,344	1,264,674	1,407,440	1,470,410	1,698,507
Investment earnings	644,602	1,638,500	2,131,569	1,138,926	1,442,654	1,388,987	1,260,104	240,412	194,682	232,001
Miscellaneous	71,607	89,974	-	715,478	420,557	692,898	395,396	303,188	430,498	493,864
Transfers	-	-	-	-	-	(7,403)	-	-	-	-
Extraordinary Items	-	-	-	-	-	-	25,057,083	-	-	-
<b>Total Governmental activities</b>	<b>16,700,709</b>	<b>23,727,025</b>	<b>25,270,429</b>	<b>25,534,093</b>	<b>24,225,708</b>	<b>24,890,143</b>	<b>47,342,114</b>	<b>20,006,930</b>	<b>19,257,574</b>	<b>21,511,547</b>
<b>Business-type activities:</b>										
Investment earnings	70,822	93,672	78,292	(41,928)	13,171	15,144	19,951	13,652	9,557	12,984
Transfers	-	-	-	-	-	7,403	-	-	-	-
<b>Total Business-type activities</b>	<b>70,822</b>	<b>93,672</b>	<b>78,292</b>	<b>(41,928)</b>	<b>13,171</b>	<b>22,547</b>	<b>19,951</b>	<b>13,652</b>	<b>9,557</b>	<b>12,984</b>
<b>Total primary government</b>	<b>16,771,531</b>	<b>23,820,697</b>	<b>25,348,721</b>	<b>25,492,165</b>	<b>24,238,879</b>	<b>24,912,690</b>	<b>47,362,065</b>	<b>20,020,582</b>	<b>19,267,131</b>	<b>21,524,531</b>
<b>Changes in Net Position</b>										
Governmental Activities	1,239,593	7,844,710	10,582,453	4,725,193	(1,477,448)	3,668,278	29,493,480	6,388,866	4,728,886	9,552,573
Business-type Activities	(197,583)	276,298	439,936	(332,400)	(406,276)	(611,775)	(203,912)	223,528	34,816	8,963
<b>Changes in Net Position</b>	<b>1,042,010</b>	<b>8,121,008</b>	<b>11,022,389</b>	<b>4,392,793</b>	<b>(1,883,724)</b>	<b>3,056,503</b>	<b>29,289,568</b>	<b>6,612,394</b>	<b>4,763,702</b>	<b>9,561,536</b>



**City of East Palo Alto**  
**Fund Balances-Governmental Funds**  
**June 30, 2015**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	11,916,073	11,379,597	12,676,253	13,597,260	13,710,502	-	-	-	-	-
Unreserved	729,939	3,154,308	5,406,886	6,976,500	6,575,765	-	-	-	-	-
Nonspendable	-	-	-	-	-	12,760,896	11,662,202	11,760,041	11,776,028	11,769,991
Assigned	-	-	-	-	-	248,259	2,117,679	2,187,004	77,915	187,141
Unassigned	-	-	-	-	-	6,612,069	6,822,196	9,114,594	12,305,114	13,221,866
<b>Total General Fund</b>	<b>12,646,012</b>	<b>14,533,905</b>	<b>18,083,139</b>	<b>20,573,760</b>	<b>20,286,267</b>	<b>19,621,224</b>	<b>20,602,077</b>	<b>23,061,639</b>	<b>24,159,057</b>	<b>25,178,998</b>
<b>All Other Governmental Funds</b>										
Reserved	28,803,392	28,930,206	29,665,723	30,755,524	17,220,741	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,642,166	3,016,232	10,947,512	10,728,072	8,390,162	-	-	-	-	-
Capital projects funds	(10,608,195)	(9,330,371)	(8,279,431)	(8,556,368)	(12,293,874)	-	-	-	-	-
Permanent funds	4,877,558	6,464,873	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	40,241,982	18,085,109	19,093,787	21,304,289	22,684,977
Nonspendable	-	-	-	-	-	-	-	57,051	-	-
Assigned	-	-	-	-	-	4,213,590	1,309,475	1,449,121	703,226	1,913,459
Unassigned	-	-	-	-	-	(12,935,810)	(205,168)	(242,822)	(340,922)	(233,356)
<b>Total all other governmental funds</b>	<b>24,714,921</b>	<b>29,080,940</b>	<b>32,333,804</b>	<b>32,927,228</b>	<b>13,317,029</b>	<b>31,519,762</b>	<b>19,189,416</b>	<b>20,357,137</b>	<b>21,666,593</b>	<b>24,365,080</b>
<b>Total all other governmental funds</b>	<b>37,360,933</b>	<b>43,614,845</b>	<b>50,416,943</b>	<b>53,500,988</b>	<b>33,603,296</b>	<b>51,140,986</b>	<b>39,791,493</b>	<b>43,418,776</b>	<b>45,825,650</b>	<b>49,544,078</b>

Notes:

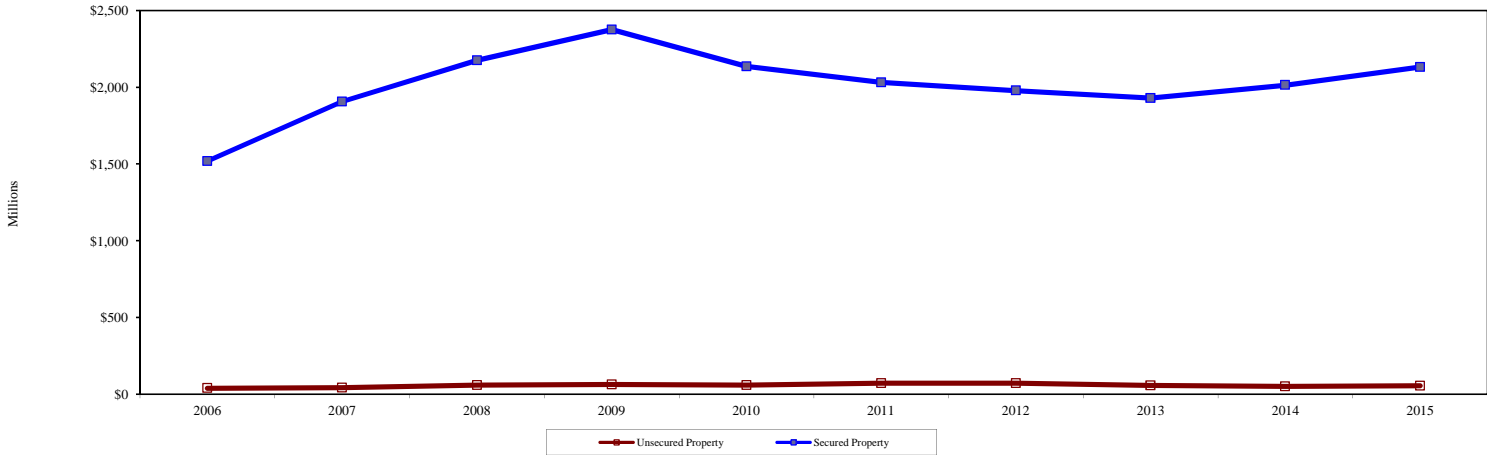
(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

**City of East Palo Alto**  
**Changes in Fund Balances-Governmental Funds**  
**June 30, 2015**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	14,729,697	20,480,740	22,093,509	23,285,450	21,854,984	22,046,785	19,849,192	18,545,522	18,700,903	20,271,896
Licenses and permits	854,222	741,979	695,105	684,903	758,510	1,451,605	1,474,305	1,637,444	927,194	932,302
Charges for services	1,640,193	1,757,569	1,960,341	1,565,339	1,188,851	1,094,850	1,398,072	1,345,024	2,110,075	2,638,045
Fines and forfeitures						239,233	239,475	225,680	261,440	368,621
Investment earnings	1,312,057	2,112,772	2,793,335	535,836	644,080	4,308,643	1,299,287	189,795	207,461	245,602
Contributions and Donations (a)	698,316	2,047,965	1,218,408							
Intergovernmental revenues	2,448,174	2,862,795	2,230,043	5,169,616	4,319,092	4,286,769	3,882,039	4,091,814	3,181,804	4,941,401
Miscellaneous	90,025	89,974	376,924	253,140	222,793	1,173,265	407,755	372,686	607,906	609,570
<b>Total revenues</b>	<b>21,772,684</b>	<b>30,093,794</b>	<b>31,367,665</b>	<b>31,494,284</b>	<b>28,988,310</b>	<b>34,601,150</b>	<b>28,550,125</b>	<b>26,407,965</b>	<b>25,996,783</b>	<b>30,007,437</b>
<b>Expenditures</b>										
<b>Current</b>										
General Government	2,994,610	3,218,307	4,168,820	3,842,178	5,009,536	4,817,557	4,601,057	4,361,346	4,050,248	3,804,928
Public Safety	8,814,019	9,317,197	8,862,537	10,278,800	11,301,946	10,767,107	10,205,449	10,089,238	10,705,227	10,286,615
Public Works	1,661,489	2,447,594	2,583,643	3,206,456	3,989,167	3,359,333	2,853,818	3,338,504	2,421,820	2,698,224
Culture and recreation	626,076	605,279	693,526	830,598	1,351,058	714,746	709,236	509,561	774,662	789,369
Community Development	2,136,579	1,974,137	3,361,924	4,963,224	6,999,593	5,080,138	3,069,120	2,486,567	3,969,143	2,263,113
Administration (b)	388,413	332,570								
Outside Services										
Tax Increment pass-through payments (c)	648,776	1,030,352	-	-	-	-	-	-	-	-
Capital Outlay	576,123	867,633	1,430,536	1,564,730	872,973	3,568,500	3,300,116	2,124,427	1,668,320	6,877,626
Debt Service										
Principal repayment	1,269,510	1,156,063	420,000	445,000	16,120,000	1,075,000	1,120,000	9,718	-	-
Interest & fiscal charges	2,361,859	2,890,750	3,054,581	3,269,253	3,241,729	3,323,676	1,611,102	1,306	1,429	-
Bond Issue Costs	686,269	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>22,163,723</b>	<b>23,839,882</b>	<b>24,575,567</b>	<b>28,400,239</b>	<b>48,886,002</b>	<b>32,706,057</b>	<b>27,469,898</b>	<b>22,920,667</b>	<b>23,590,849</b>	<b>26,719,875</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(391,039)</b>	<b>6,253,912</b>	<b>6,792,098</b>	<b>3,094,045</b>	<b>(19,897,692)</b>	<b>1,895,093</b>	<b>1,080,227</b>	<b>3,487,298</b>	<b>2,405,934</b>	<b>3,287,562</b>
<b>Other financing sources (uses)</b>										
Transfers in	2,088,071	2,826,543	2,866,768	3,794,238	3,739,006	10,827,081	9,710,054	795,353	1,225,985	4,024,730
Transfers (out)	(2,088,071)	(2,826,543)	(2,866,768)	(3,794,238)	(3,739,006)	-10,834,484	(9,710,054)	(795,353)	(1,225,985)	(4,024,730)
Contributed capital assets	-	-	-	-	-	-	224,805	-	-	-
Bonds issued / Proceeds from Bonds	17,995,000	-	-	-	-	-	-	-	-	-
Proceeds on Loans	507,958	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	124,353	-	121,666
<b>Total other financing sources(uses)</b>	<b>18,502,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,403)</b>	<b>224,805</b>	<b>124,353</b>	<b>-</b>	<b>121,666</b>
Special item and extraordinary item	-	-	-	-	-	15,650,000	(12,654,525)	-	-	-
<b>Net change in fund balances</b>	<b>18,111,919</b>	<b>6,253,912</b>	<b>6,792,098</b>	<b>3,094,045</b>	<b>(19,897,692)</b>	<b>17,537,690</b>	<b>(11,349,493)</b>	<b>3,611,651</b>	<b>2,405,934</b>	<b>3,409,228</b>
<b>Debt Service Expenditures</b>	<b>4,317,638</b>	<b>4,046,813</b>	<b>3,474,581</b>	<b>3,714,253</b>	<b>19,361,729</b>	<b>4,398,676</b>	<b>2,731,102</b>	<b>11,024</b>	<b>1,429</b>	<b>-</b>
Total Expenditures	22,163,723	23,839,882	24,575,567	28,400,239	48,886,002	32,706,057	27,469,898	22,920,667	23,590,849	26,719,875
Less: Debt Serv. Exp	(4,317,638)	(4,046,813)	(3,474,581)	(3,714,253)	(19,361,729)	(4,398,676)	(2,731,102)	(11,024)	(1,429)	-
Less: Capital Outlay	(576,123)	(867,633)	(1,430,536)	(1,564,730)	(872,973)	(3,568,500)	(3,300,116)	(2,124,427)	(1,668,320)	(6,877,626)
<b>Noncapital expenditures</b>	<b>17,269,962</b>	<b>18,925,436</b>	<b>19,670,450</b>	<b>23,121,256</b>	<b>28,651,300</b>	<b>24,738,881</b>	<b>21,438,680</b>	<b>20,785,216</b>	<b>21,921,100</b>	<b>19,842,249</b>
Debt service as a percentage of noncapital (d) expenditures	25%	21%	18%	16%	68%	18%	13%	0%	0%	0%

- (a) Contributions and donations beginning fiscal year 2008-09 were included in Intergovernmental revenues  
(b) Administrative expenses beginning fiscal year 07-08 were included in General government expenditures  
(c) For fiscal years 07-08 and 08-09 Tax Increment pass through payments were included in the functional area rather than a separate line item.

**CITY AND REDEVELOPMENT AGENCY OF EAST PALO ALTO  
 ASSESSED VALUE AND ESTIMATED ACTUAL  
 VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**



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Fiscal Year	Secured				Total Secured Property	Unsecured				Unsecured Property	Total Assessed	Estimated Full Market (2)	Factor of Taxable Assessed Value
	City	Gateway 101 Corridor	University Circle	Ravenswood		City	Gateway 101 Corridor	University Circle	Ravenswood				
2006	1,005,033,061	289,348,595	115,592,414	68,670,547	\$1,478,644,617	7,316,832	10,377,700	18,552,585	3,520,421	\$39,767,538	1,518,412,155	1,518,412,155	1.000000
2007	1,144,127,598	297,541,707	348,165,460	73,562,973	\$1,863,397,738	5,095,167	9,849,847	24,836,342	3,427,001	\$43,208,357	1,906,606,095	1,906,606,095	1.000000
2008	1,348,476,067	306,561,634	372,177,677	88,893,136	\$2,116,108,514	5,414,795	10,104,010	40,495,044	3,378,665	\$59,392,514	2,175,501,028	2,175,501,028	1.000000
2009	1,510,291,931	327,844,925	379,621,229	92,952,830	\$2,310,710,915	5,604,572	13,006,019	42,195,488	3,241,611	\$64,047,690	2,374,758,605	2,374,758,605	1.000000
2010	1,283,832,450	315,872,778	379,888,089	96,422,143	\$2,076,015,460	4,686,491	8,807,463	43,695,337	2,870,813	\$60,060,104	2,136,075,564	2,136,075,564	1.000000
2011	1,188,412,331	305,966,439	379,147,248	84,571,225	\$1,958,097,243	7,363,881	20,146,922	41,919,469	3,191,957	\$72,622,229	2,030,719,472	2,030,719,472	1.000000
2012	1,135,889,305	308,388,843	380,672,649	81,727,775	\$1,906,678,572	7,509,043	19,268,455	41,047,879	3,672,974	\$71,498,351	1,978,176,923	1,978,176,923	1.000000
2013	1,104,501,164	317,394,502	369,327,260	79,254,165	\$1,870,477,091	6,898,342	19,933,559	28,078,757	3,282,000	\$58,192,658	1,928,669,749	1,928,669,749	1.000000
2014	1,173,993,111	330,429,999	376,804,050	81,596,056	\$1,962,823,216	6,125,013	18,274,858	22,893,647	3,370,914	\$50,664,432	2,013,487,648	2,013,487,648	1.000000
2015	1,272,051,647	341,894,816	378,514,734	83,231,935	\$2,075,693,132	6,198,106	18,472,810	25,681,636	4,601,336	\$54,953,888	2,130,647,020	3,549,905,090	1.666116

Source: San Mateo County Assessors 2005/06 - 2014/15 Combined Tax Rolls & Muni Services, LLC

Source: 2013-14 and Prior, Prior published CAFR

Net Taxable Value is net of all exemptions, including homeowners.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

## *City of East Palo Alto*

### Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Basic County-wide Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Override Assessments										
Ravenswood School District	0.0374	0.0335	0.0316	0.0299	0.0364	0.0364	0.0397	0.0417	0.0415	0.0360
Sequoia Union High School District	0.0223	0.0208	0.0205	0.0282	0.0277	0.0311	0.0358	0.0356	0.0313	0.0433
San Mateo Community College District	0.0065	0.0184	0.0171	0.0165	0.0182	0.0193	0.0199	0.0194	0.0194	0.0190
TOTAL	0.0662	0.0727	0.0692	0.0746	0.0823	0.0868	0.0954	0.0967	0.0922	0.0983
<b>TOTAL TAX RATE</b>	<b>1.0662</b>	<b>1.0727</b>	<b>1.0692</b>	<b>1.0746</b>	<b>1.0823</b>	<b>1.0868</b>	<b>1.0954</b>	<b>1.0967</b>	<b>1.0922</b>	<b>1.0983</b>

Source: San Mateo County Auditor data, MuniServices, LLC  
Source: 2013-14 and prior, previously published CAFR Report  
Tax Rate as represented by TRA 021-000

## City of East Palo Alto

### Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2014-15		2005-06	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Wells Reit II University Circle	326,635,338	15.33%		
EQR Woodland Park	156,581,269	7.35%		
Ikea Property Inc.	84,436,034	3.96%	73,918,770	4.92%
SHR Palo Alto LLC	51,049,052	2.40%		
Gateway 101 LLC	25,947,282	1.22%		
HD Deveopmentl Of Maryland Inc.	19,650,979	0.92%	38,185,129	2.54%
Nairobi Housing Inc. Housing A	13,296,168	0.62%	11,368,781	0.76%
Avery H Smith Co	12,374,260	0.58%		
East Palo Alto At 101 LLC	10,764,770	0.51%		
DKB Homes Llc	9,706,213	0.46%		
Storage Portfolio I LLC	8,393,049	0.39%	7,371,169	0.49%
Working Dirt R2 LLC	8,279,299	0.39%		
Woodlands Newell Assoc LP	7,800,500	0.37%		
Green Valley Corp	7,246,174	0.34%		
D&C Lee Second L P	7,014,985	0.33%	6,500,000	0.43%
Romic Environmental Tech Corp	6,750,000	0.32%	17,964,862	1.20%
Commercial Net Lease Realty	6,422,526	0.30%	5,648,208	0.38%
Sobrato Interests 2	5,901,453	0.28%		
Dtrs Palo Alto LLC	5,632,051	0.26%		
Cummings Park Assoc	4,884,512	0.23%		
Sei Psp Ii Joint Ventures	4,782,386	0.22%		
University Plaza Epa LLC	4,641,576	0.22%		
Epa Bayshore Properties LLC	4,614,820	0.22%		
Bella Vista Capital Inc.	4,500,000	0.21%		
Starlink Logistics Inc.	3,889,666	0.18%		
University Circle Investors LLC			101,626,274	6.77%
Ld Riviera Llc			13,351,390	0.89%
Westpark LLC			13,306,825	0.89%
Windriver Investments			10,953,468	0.73%
Nugent Square Partners LP			10,067,543	0.67%
1751 East Bayshore Investors L			9,356,233	0.62%
Bingham Mccutchen LLP			9,270,568	0.62%
Cns Group LLC			6,732,000	0.45%
Office Depot Inc #00978			6,081,215	0.41%
University Palms LLC			5,441,572	0.36%
West Park Apartments LLC			4,767,242	0.32%
Ballantine Dewey LLP			4,521,472	0.30%
University Group LLC			3,927,000	0.26%
Woodland Apartments LLC			3,621,847	0.24%
Tallerico Anthony F Tr Et Al			3,542,778	0.24%
The Good Guys #51			3,311,431	0.22%
Mccarthy Roger L			3,189,009	0.21%
Creekside Apartments LLC			3,176,800	0.21%
<b>Total Top 25 Taxpayers</b>	<b>801,194,362</b>	<b>37.60%</b>	<b>377,201,586</b>	<b>25.13%</b>
<b>Total Taxable Value</b>	<b>2,130,647,020</b>	<b>100.00%</b>	<b>1,501,085,059</b>	<b>100.00%</b>

Source: San Mateo County Assessor data, MuniServices, LLC

**City of East Palo Alto  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levied for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Total Collections To Date	
		Current Tax Collections (2)	Percentage of Levy	Delinquent Tax Collections (3)	Total Tax Collections Percentage of Levy
<b>2006</b>	8,612,902	8,237,968	95.6%		8,237,968 96%
<b>2007</b>	13,701,921	12,884,456	94.0%		12,884,456 94%
<b>2008</b>	13,778,302	12,927,420	93.8%		12,927,420 94%
<b>2009</b>	14,628,038	13,892,862	95.0%		13,892,862 95%
<b>2010</b>	13,439,564	13,051,893	97.1%		13,051,893 97%
<b>2011</b>	12,975,746	12,551,184	96.7%		12,551,184 97%
<b>2012</b>	13,220,832	12,851,595	97.2%		12,851,595 97%
<b>2013</b>	12,108,270	11,916,231	98.4%		11,916,231 98%
<b>2014</b>	12,355,379	12,192,663	98.7%		12,192,663 99%
<b>2015</b>	13,366,459	13,052,212	97.6%		13,052,212 98%

Source: San Mateo County Assessor 2005/06 - 2014/15 Combined Tax Rolls

Notes:

- (1) Beginning in 1993, Current Tax Collections are reduced by a mandatory tax allocation imposed by the State of California (Educational Revenue Augmentation Fund (ERAF)).
- (2) City of East Palo Alto General Ledger. Includes secured, unsecured, supplemental, tax increment, unitary tax, and excess ERAF payments. Excluded are property tax in lieu of VLF, transfer taxes, and Measure C parcel tax.
- (3) The County of San Mateo collects and allocates property taxes under the Teeter Plan whereby the City receives property tax revenues based on the total amount billed, but not yet collected; therefore, the City has no direct delinquent tax collections.

**City of East Palo Alto**  
**Ratios of Outstanding Debt by Type**  
**June 30, 2015**  
**Last Ten Fiscal Years**

Fiscal Year	Redevelopment Tax Allocation Bonds	1	Revenue Bond	1	Less: Restricted Bonds/ Bond Proceeds	2	Total Primary Government Bonded Debt (including Redevelopment Agency Bonds)	Percentage of Personal Income per Capita	3	Outstanding Debt Per Capita	4
2006	25,620,000		17,995,000		16,040,000		27,575,000	1.3%		\$860	
2007	25,220,000		17,995,000		16,040,000		27,175,000	1.2%		838	
2008	24,800,000		17,995,000		16,040,000		26,755,000	1.1%		816	
2009	24,355,000		17,995,000		16,040,000		26,310,000	1.1%		793	
2010	23,700,500		17,995,000		15,650,000		26,045,500	1.1%		777	
2011	23,390,000		17,415,000		15,240,000		25,565,000	1.3%		903	
2012	22,870,000		16,815,000		14,805,000		24,880,000	1.2%		874	
2013	22,320,000		16,195,000		14,345,000		24,170,000	1.1%		843	
2014	21,735,000		15,550,000		13,855,000		23,430,000	1.1%		810	
2015	21,115,000		14,880,000		13,335,000		22,660,000	1.0%		778	

Source: City of East Palo Alto

Notes:

- 1 Tax Allocation Bonds and Revenue Bonds for financing Redevelopment Agency projects and activities.
- 2 Bond proceeds invested and, in October of 2010, used as part of a purchase in lieu of redemption structure. In 2009 the Public Finance Authority proceeds were used to purchase, and hold as investment, the 1999 Tax Allocation Bonds.
- 3 County of San Mateo per capita personal income.
- 4 State of California Department of Finance, population.

**CITY OF EAST PALO ALTO  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2015**

2014-15 Assessed Valuation: \$2,145,320,160

<b>OVERLAPPING TAX INCREMENT DEBT</b>	Total Debt 6/30/2015	(1) Percentage Applicable	City's Share of Debt 6/30/2015
2003 A Refunding Tax Allocation Bonds	\$4,955,000	100%	\$4,955,000
2003 B Refunding Tax Allocation Bonds (Taxable)	2,825,000	100	2,825,000
2005 Series A Revenue Bonds	14,880,000	100	14,880,000
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>			<b>\$22,660,000 (2)</b>

Ratios to Redevelopment Successor Agency Incremental Valuation (\$792,738,811):  
Overlapping Tax Increment Debt 2.86%

<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>	Total Debt 6/30/2015	Percentage Applicable	City's Share of Debt 6/30/2015
San Mateo Community College District	\$664,859,994	1.294%	\$8,603,288
Sequoia Union High School District	433,505,000	3.118	13,516,686
Ravenswood School District	8,441,230	59.238	5,000,416
<b>City of East Palo Alto</b>	-	<b>100</b>	-
California Statewide Communities Development Authority 1915 Act Bonds	2,351,953	100	2,351,953
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$29,472,343</b>

**DIRECT AND OVERLAPPING TAX, ASSESSMENT AND TAX INCREMENT DEBT \$52,132,343**

<b>OVERLAPPING GENERAL FUND DEBT:</b>	Total Debt	Percentage	City's Share of Debt
San Mateo County General Fund Obligations	\$460,064,816	1.294%	\$5,953,239
San Mateo County Board of Education Certificates of Participation	10,430,000	1.294	134,964
Menlo Park Fire Protection District Certificates of Participation	11,270,000	8.250	929,775
Midpeninsula Regional Open Space District General Fund Obligations	127,086,851	1.045	1,328,058
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>\$8,346,036</b>

**TOTAL DIRECT DEBT \$0**

**COMBINED TOTAL DEBT \$60,478,379 (3)**

Notes:

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes refunding issues dated 9/1/2015. Includes issues to be refunded.
- (3) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**Ratios to 2014-15 Assessed Valuation:**

Direct Debt	0.00%
Direct and Overlapping Tax and Assessment Debt	1.37%
Direct and Overlapping Tax, Assessment and Tax Increment Debt	2.43%

**Ratios to Adjusted Assessed Valuation:**

Total Direct Debt	0.00%
Combined Total Debt	2.82%

Source: MuniServices, LLC



**CITY OF EAST PALO ALTO  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
LAST TEN FISCAL YEARS**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Gross Assessed Valuation	1,012,349,893	1,149,222,765	1,353,890,862	1,515,896,503	1,288,518,941
Conversion Percentage	25%	25%	25%	25%	25%
<b>Adjusted Assessed Valuation</b>	<b>253,087,473</b>	<b>287,305,691</b>	<b>338,472,716</b>	<b>378,974,126</b>	<b>322,129,735</b>
Debt service limit percentage	15%	15%	15%	15%	15%
<b>Debt service limit percentage</b>	<b>37,963,121</b>	<b>43,095,854</b>	<b>50,770,907</b>	<b>56,846,119</b>	<b>48,319,460</b>
<b>Debt Applicable to Limit:</b>					
Less: Outstanding General Obligations	-	-	-	-	-
Legal debt service margin	37,963,121	43,095,854	50,770,907	56,846,119	48,319,460

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross Assessed Valuation	1,195,776,212	1,143,398,348	1,111,399,506	1,180,118,124	1,278,249,753
Conversion Percentage	25%	25%	25%	25%	25%
<b>Adjusted Assessed Valuation</b>	<b>298,944,053</b>	<b>285,849,587</b>	<b>277,849,877</b>	<b>295,029,531</b>	<b>319,562,438</b>
Debt service limit percentage	15%	15%	15%	15%	15%
<b>Debt service limit percentage</b>	<b>44,841,608</b>	<b>42,877,438</b>	<b>41,677,481</b>	<b>44,254,430</b>	<b>47,934,366</b>
<b>Debt Applicable to Limit:</b>					
Less: Outstanding General Obligations	-	-	-	-	-
Legal debt service margin	44,841,608	42,877,438	41,677,481	44,254,430	47,934,366

Source: MuniServices, LLC and San Mateo County Assessors Office

NOTE: California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value.

**City of East Palo Alto  
Bonded Debt Pledged-Revenue Coverage  
June 30, 2015  
Last Ten Fiscal Years**

<u>RDA Tax Allocation Bonds</u>						<u>Public Financing Authority Revenue Bonds</u>					
Fiscal Year	Tax Increment	Debt Service (1)			Coverage	Principal and Interest From 1999 TABS	Capitalized Interest Acct	Debt Service (2)			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2006	4,409,635	385,000	1,792,133	2,177,133	2.0	-	507,986	-	507,986	507,986	100%
2007	7,996,776	400,000	1,772,923	2,172,923	3.7	-	846,644	-	846,644	846,644	100%
2008	7,857,564	420,000	1,752,425	2,172,425	3.6	-	846,644	-	846,644	846,644	100%
2009	7,996,776	445,000	1,730,325	2,175,325	3.7	-	846,644	-	846,644	846,644	100%
2010	7,891,237	470,000	1,706,055	2,176,055	3.6	-	846,644	-	846,644	846,644	100%
2011	7,625,928	495,000	1,455,833	1,950,833	3.9	1,416,784	-	580,000	836,784	1,416,784	100%
2012	7,376,396	520,000	1,425,525	1,945,525	3.8	1,418,570	-	600,000	818,570	1,418,570	100%
2013	7,376,779	550,000	1,394,064	1,944,064	3.8	1,416,938	-	620,000	796,938	1,416,938	100%
2014	7,601,754	585,000	1,360,764	1,945,764	3.9	1,415,438	-	645,000	770,438	1,415,438	100%
2015	7,635,260	620,000	1,325,004	1,945,004	3.9	1,415,138	-	670,000	745,138	1,415,138	100%

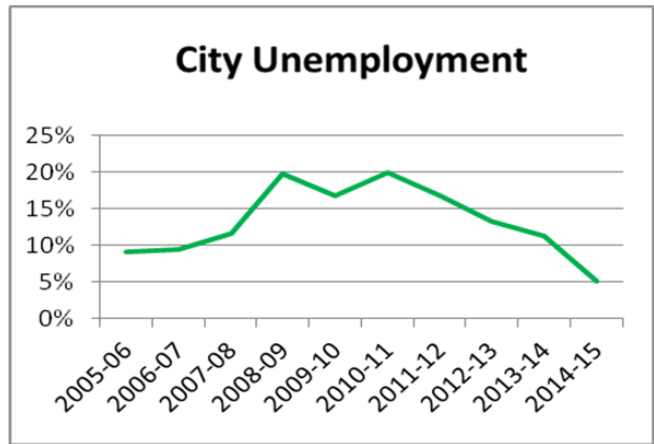
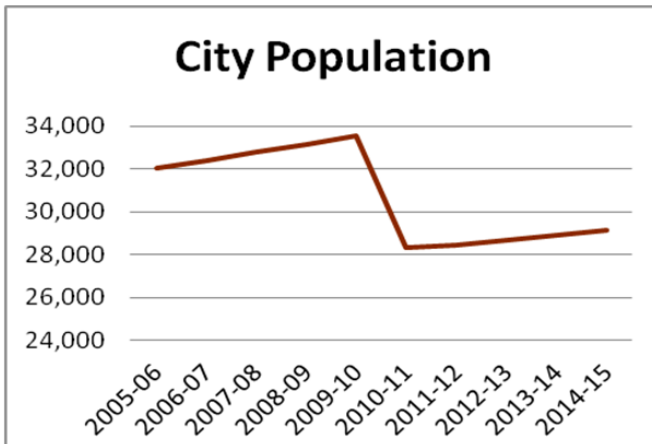
**NOTE:** The above reflects the 1999, 2003A, and 2003 B Tax Allocation Bonds (TABs). Note that the bond proceeds from the 2005 East Palo Alto Public Financing Authority revenue bonds were used to purchase the outstanding 1999 Tax Allocation bonds on October 01, 2009. The 1999 TABs are held with a fiscal agent and recorded as an asset in the Public Financing Authority; a blended component unit of the City.

**SOURCES:** 1) Tax Allocation bonds 1999, 2003A, 2003B  
2) PFA Revenue bonds 2005A

# City of East Palo Alto

## Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population (1)	City Unemployment Rate (2)	Per Capita Personal Income (3)	County Unemployment Rate (2)	County Per Capita Personal Income	Public School Enrollment (4)
2005-06	32,049	9.10%	17,762	3.70%	67,279	4,453
2006-07	32,413	9.40%	18,943	3.80%	71,753	4,607
2007-08	32,800	11.60%	19,493	4.70%	73,839	4,936
2008-09	33,164	19.80%	18,364	8.60%	69,562	4,554
2009-10	33,524	16.80%	17,942	7.10%	67,964	4,385
2010-11	28,300	20.00%	18,368	8.30%	69,577	4,290
2011-12	28,467	16.80%	19,690	7.10%	74,582	4,296
2012-13	28,675	13.20%	19,978	5.50%	75,674	4,077
2013-14	28,934	11.20%	20,302	4.60%	76,901	4,030
2014-15	29,137	5.10%	20,438	3.20%	77,414	4,216



Source: MuniServices, LLC

Source: 2013-14 and prior, previously published CAFR Report

The California Department of Finance demographics estimates now incorporate 2010 Census as the benchmark.

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2) Unemployment Data are provided by the EDD's Bureau of Labor Statistics Department.
- 3) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.
- 4) Student Enrollment reflects the total number of students enrolled in the Ravenswood Unified School District.

# *City of East Palo Alto*

## Principal Employers Last Fiscal Year and One Year ago

Business Name	2014-15		2013-14	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Ravenswood City School District	551	3.67%	538	3.90%
Ikea*	331	2.21%	343	2.49%
Four Seasons Hotel - Silicon Valley	296	1.97%	285	2.07%
DLA Piper LLP	216	1.44%		
Ravenswood Family Health Center*	183	1.22%	163	1.18%
Home Depot	156	1.04%	175	1.27%
NTT Group	111	0.74%	120	0.87%
City of East Palo Alto*	106	0.71%	102	0.74%
Eastside College Preparatory School	72	0.48%		
Nordstrom Rack	70	0.47%	77	0.56%
Ropes and Gray Law Firm			63	0.46%
US Post Office (1)			150	1.09%
Total Top Employers	2,092	13.95%	1,866	13.52%
Total City Employment (2)	15,000		13,800	

Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

\*Includes full and part time.

(1) USPO could not be reached for current count

(2) Total City Labor Force provided by EDD Labor Force Data.

**City of East Palo Alto**  
**Number of Positions - City Government by Function**  
**June 30, 2015**  
**Last Ten Fiscal Years**

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Government (City Council, CM, CC, Finance, HR, CA Rent Stabilization, Youth and Family Svcs)</b>	19.0	17.8	21.0	22.0	22.5	23.0	22.5	23.0	26.0	27.1
<b>Public Safety</b>										
Police										
Officers	48.0	42.0	43.0	43.0	44.0	40.0	40.0	38.0	38.0	36.0
Civilians	12.0	9.8	9.8	7.0	7.0	11.0	13.5	9.5	9.5	8.0
<b>Community Development</b>										
Administration	-	-	-	2.0	2.0	2.0	5.5	5.5	7.0	8.0
Economic Development/Redevelopment Agency	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	2.0	-
Planning Division	6.0	4.0	5.0	5.0	5.0	5.0	3.0	3.0	4.0	3.0
Building Services	4.0	4.0	5.0	5.0	5.0	5.0	3.0	3.0	4.0	5.0
Engineering Services	-	-	-	-	-	-	5.0	5.0	6.0	6.0
Maintenance Division	-	-	-	-	-	-	11.0	11.0	11.0	12.0
Senior Services	-	-	-	-	-	-	1.6	1.6	1.6	-
<b>Public Works (Eliminated 2011)</b>										
Administration	3.0	2.0	2.0	2.0	2.0	2.0	-	-	-	-
Engineering	6.0	5.0	6.0	6.0	6.0	6.0	-	-	-	-
Maintenance	13.0	12.0	12.0	12.0	12.0	13.0	-	-	-	-
<b>Culture &amp; Recreation (Eliminated 2011)</b>										
Administration	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-	-
Recreation	1.0	1.0	1.0	1.0	2.0	2.0	-	-	-	-
Senior Services	1.4	1.4	1.4	1.4	1.6	1.6	-	-	-	-
<b>Housing Services &amp; Rent Stabilization Eliminated 2011</b>	4.0	4.0	4.0	4.0	5.0	5.0	-	-	-	-
<b>Total</b>	125.4	110.9	118.1	118.4	122.1	123.6	110.1	104.6	109.1	105.1

**Source:** City of East Palo Alto Government Budget.

Note: Public Works, Culture & Recreation, and Housing Services Divisions were eliminated in fiscal year 2010-11.

**Operating Indicators by Function**  
**June 30, 2015**  
**Last Seven Fiscal Years**

Function	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015
<b>Police</b>							
Calls for Service	37,385	35,736	35,337	31,277	28,443	29,123	28,253
Number of serious crimes *	630	551	440	475	572	510	387
Number of burglaries	347	424	399	425	285	213	180
Number of assaults	482	385	316	350	460	436	306
Number of auto thefts reported	256	213	194	123	134	174	132
Number of homicides	8	9	2	10	8	4	6
Number of robberies	121	137	104	102	87	60	65
Number of physical arrests	713	1,172	1,385	612	635	640	965
<b>Community Development</b>							
<b><u>Transportation</u></b>							
<b>Shuttle Passengers</b>							
Caltrain/Commuter Shuttle	21,433	32,872	46,894	65,770	72,878	76,879	85,259
*** Shopper Shuttle (now Redwood City #4)	7,055	5,186	7,666	8,734	4,197	4,076	-
*** Youth Shuttle (now MidTown #3)	12,835	18,471	13,233	14,557	7,185	4,539	-
*** Weekend Shuttle	14,321	17,783	13,509	15,382	12,865	23,582	-
<b><u>Streets</u></b>							
Street Resurfacing (lane miles)	1	1	4	2	-	3	1
Potholes repaired	12	67	20	42	29	16	61
<b><u>Engineering</u></b>							
Encroachment permits	76	44	42	55	41	49	57
<b>Culture &amp; recreation</b>							
Facility Rentals	25	27	21	25	35	74	24
Lunches Served to Seniors	8,188	9,225	8,437	7,331	6,842	5,784	3,471
Transportation trips provided to Seniors	3,457	3,375	3,234	3,580	2,743	2,183	3,012
Community Event participants	1,899	2,600	1,800	2,450	5,200	4,900	3,300
Program Registration participants(Fit Zone)	115	206	150	122	10,074	5,436	6,300
<b><u>Building Permits Issued:</u></b>							
Residential - Count	650	425	373	577	408	324	297
Commercial Count	27	22	22	52	36	126	49
<b>Water **</b>							
Hydrant Breaks	13	7	7	8	9	9	8
Water main breaks	18	6	12	16	21	5	18
Average daily consumption per family (in gallons)	227	332	224	229	385	239	201

Source: City Departments

- \* Crimes against a person (homicide, rape, robbery, assault)
- \*\* The water related data was obtained from American Water Company which services approximately 90% residents in East Palo Alto
- \*\*\* Shuttle services were eliminated in fiscal year 2014-15

Data prior to 2008-09 is not available

**City of East Palo Alto  
Capital Asset Statistics by Function  
June 30, 2015  
Last Ten Fiscal Years**

FUNCTION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Government owned buildings</b>										
Public Works & Comm Development Building	1	1	1	1	1	1	1	1	1	1
Housing (Water Enterprise Fund)	1	1	1	1	1	1	1	1	1	1
<b>Highways &amp; Streets</b>										
Streets (miles)	38	38	38	38	38	38	38	38	38	38
Streetlights	827	827	827	827	827	827	827	827	827	827
Traffic Signals	14	14	14	14	14	14	14	14	14	14
<b>Culture &amp; recreation</b>										
Parks (number of parks)	6	6	6	6	6	6	6	6	6	6
Parks acreage (acres)	16	16	16	16	16	16	25.38	25.38	25.38	25.38
Senior Centers	1	1	1	1	1	1	1	1	1	1
<b>Water *</b>										
Water pipelines (miles)	39.2	39.2	39.2	39.2	39.2	38.6	38.6	38.6	38.6	38.6
Fire hydrants	230	230	230	230	230	282	283	283	283	283
Maximum daily capacity (millions of gallons per day)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.07	2.02	1.96

**Source:** Various city departments

\* Data obtained from American Water Company , which services services approximately 90% residents in East Palo Alto.