

CITY OF SAN GABRIEL CALIFORNIA



FOUNDED 1771
CITY WITH A MISSION

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2012

CITY OF SAN GABRIEL,
CALIFORNIA
Comprehensive Annual Financial Report
Year ended June 30, 2012

Prepared by:
FINANCE DEPARTMENT
Thomas Marston
Director of Finance

City of San Gabriel
Comprehensive Annual Financial Report
For the year ended June 30, 2012

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City of San Gabriel

◆ City With A Mission ◆ Founded 1771

February 27, 2013

Honorable Mayor and City Council
City of San Gabriel
San Gabriel, California

State law requires that all local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of San Gabriel for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City of San Gabriel. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of San Gabriel has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of San Gabriel's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of San Gabriel's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of San Gabriel's financial statements have been audited by Marcum, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of San Gabriel for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involve examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of San Gabriel's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of San Gabriel was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's

internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of San Gabriel’s separately issued Single Audit Report.

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

City of San Gabriel Profile

The City of San Gabriel is a historically rich residential community borne from the fact that the fourth California Mission was established in 1771. Due to this fact it has earned the moniker—“The Birthplace of the Los Angeles Region”. San Gabriel is located approximately 10 miles northeast of the City of Los Angeles and was incorporated in 1913 as a general law city which operates under the council-manager form of government. The City Council is comprised of five members who are elected at large serving a staggered term of four years. The City provides a full range of municipal services including police and fire protection, engineering and planning, street maintenance, traffic control, code enforcement, parks and recreation services, and general administrative activities. In addition to the preceding activities, the City is financially accountable for the City of San Gabriel Redevelopment Agency. This entity is considered a component unit of the City and its activities have been blended into the reporting entity.

The Budget serves as the foundation for the City of San Gabriel’s financial planning and control. All departments of the City of San Gabriel are required to submit requests for appropriation and the City Manager uses these requests as the starting point for developing a proposed budget. The Manager then presents this proposed budget to the Council for review prior to the Council holding public hearings on the proposed budget and to adopt a final budget by no later than June 30th. The appropriated budget is prepared by fund and function (e.g. Police, Fire.) Department heads may make transfers of appropriations within a department. Budget-to-actual comparisons are provided throughout the fiscal year for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of San Gabriel operates.

Local Economy

The City of San Gabriel is weathering the current economic environment with resiliency and local indicators point to continued stability. The region—generally referred to as the San Gabriel Valley—has a varied residential, commercial and industrial base that adds to the relative stability of the unemployment rate. It offers everything a company looks for when melding comfortable lifestyles for its employees with business and logistic needs. Steeped in history, the Valley is a safe high-quality environment in which to live, work and raise a family. The 30 cities and five un-incorporated communities that comprise the San Gabriel Valley contain an incredible variety and mixture of almost every type of residential and commercial area imaginable. Recreational and cultural opportunities abound. The educational system, from grade school through college, is the best you can find. Because the Valley affords its residents so much, it can boast a well-trained, multilevel, diverse and youthful labor pool. San Gabriel residents don't have to commute long distances to have it all.

Long-term Financial Planning

In 2007-08 the City began an annual process to produce a five year Capital Improvement Program document to better anticipate the costs of major projects and infrastructure improvements to the City. This planning document's contents are incorporated into the each fiscal year's planning and budgetary processes.

Major road and sewer improvement projects were identified and included for future appropriation. Specific street improvement or street light improvement projects such as San Gabriel Boulevard and Las Tunas were included, as well as, the planning of the eventual replacement of the Police Station and Public Works Yard.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit, obligations of U.S. Treasury, mutual funds, and State investment pools. The City manages all of its cash and investments on a pooled basis with the exception of the Deferred Compensation funds that are managed by the appointed fiscal agents. Interest earnings are allocated to the various funds based on their share of cash and investment balances. The average yield on investments managed by the City was 9.9% when the "one-time" Successor Agency interest revenue of \$1,261,323 is included. However when comparing the average yield on investments managed by the City to prior or subsequent years, a more comparable and appropriate average yield on investments managed by the City should exclude the "one-time" Successor Agency interest revenue of \$1,261,323. When this "one-time" interest revenue is excluded the average yield on investments managed by the City was 4.0%.

Risk Management

The City is a member of the California Joint Powers Insurance Authority. The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage. The Authority's pool began in 1978, each member government has an elected official as its representative on the Board of Directors and the Board operates through a 9-member Executive Committee. At June 30, 2012, the claims payable for workers' compensation and general liability, based on information available to the City, were \$2,500,827 and \$482,133 respectively. Listed below are the Authority's coverage limits and method to spread the Authority's costs:

General Liability:

The first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation:

Each member pays a primary deposit to cover estimated losses for a fiscal year. After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority Members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Administrative Expenses are paid by the Authority's investment earnings.

Purchased Insurance:

The City's property insurance is currently insured according to a schedule of covered property submitted by the City to the Authority. The City's property currently has all-risk property insurance protection totaling \$22,194,648, Boiler and Machinery protection totaling \$18,198,284 and Automobile Physical Damage protection totaling \$2,477,109. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Pension and Other Post employment Benefits

The City of San Gabriel contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

The City of San Gabriel also provides postretirement healthcare benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 76 retired employees receiving these benefits. With the implementation of GASB Statements 43 and 45 the City of San Gabriel has begun disclosing the costs and liabilities associated with other post employment benefits such as retiree healthcare. Beginning in 2008-09, the City established a trust with PERS and has made four payments according to the other post employment benefits prefunding actuarial schedule.

Awards and Acknowledgements

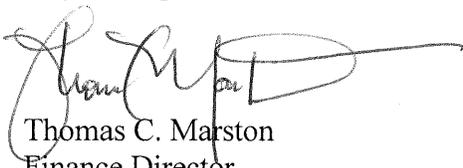
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Gabriel for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-first consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report in accordance with GASB 34 financial reporting model was made possible by the dedicated work of the Finance Department Staff. Each member of the staff has our sincere appreciation for their contributions made in the preparation of the report. We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City, and to the Marcum accounting firm for their professional assistance and expertise.

Respectfully submitted,



Steven A. Preston
City Manager



Thomas C. Marston
Finance Director

CITY OF SAN GABRIEL

Officials of the City of San Gabriel

June 30, 2012

CITY COUNCIL

Kevin B. Sawkins - Mayor

Mario De La Torre - Vice Mayor

Juli Costanzo

David R. Gutierrez

John R. Harrington

ELECTED OFFICIALS

Eleanor K. Andrews - City Clerk

John Janosik - City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

City Manager

Assistant City Manager

Police Chief

Fire Chief

Director of Finance

Director of Community Development

Director of Parks and Recreation

Director of Public Works

Deputy City Clerk

Mission Playhouse Manager

Steven A. Preston

Marcella Marlowe

David Lawton

Joseph Nestor

Thomas Marston

Jennifer Davis

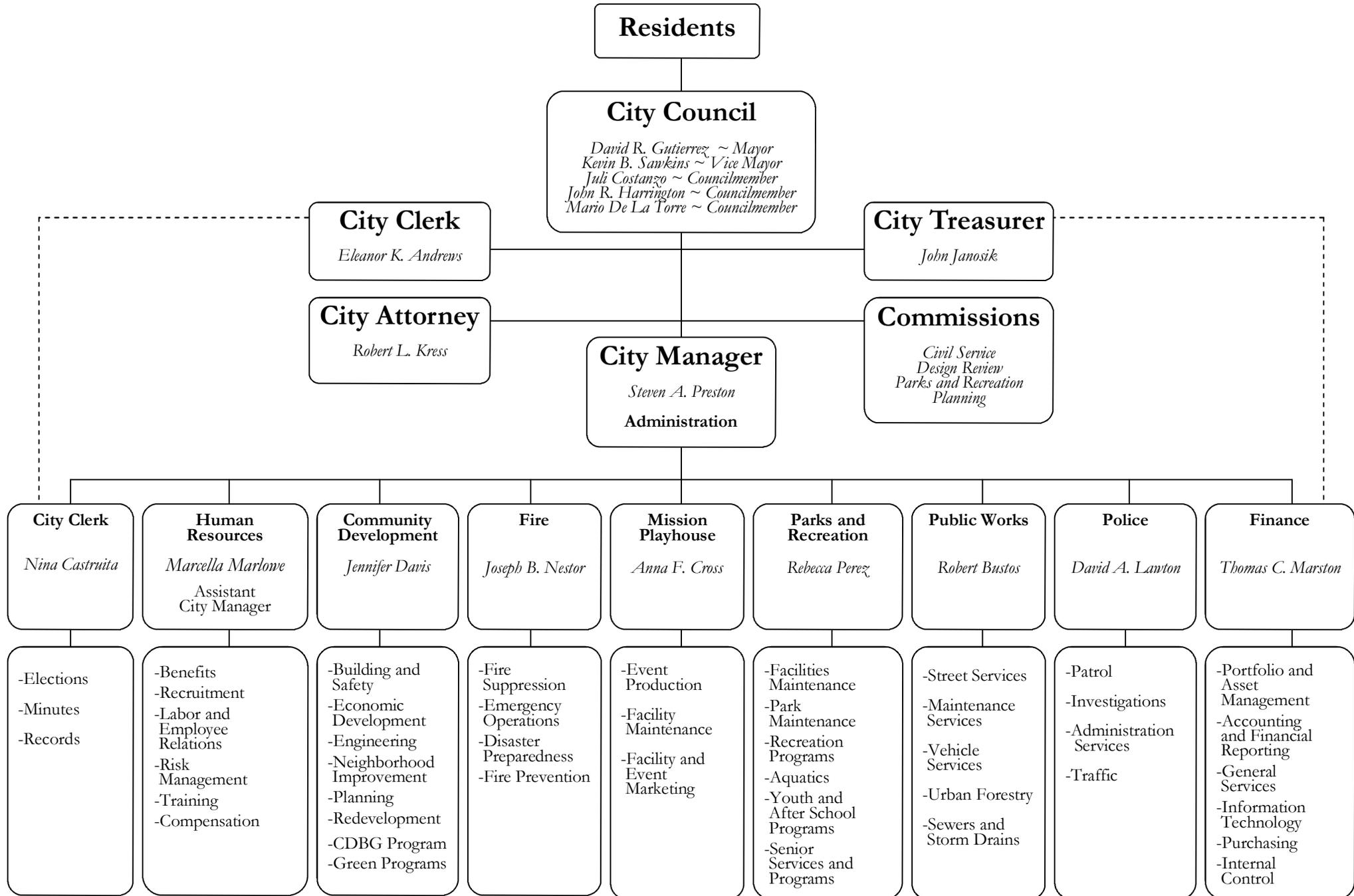
Rebecca Perez

Robert Bustos

Nina Castruita

Anna Cross

City of San Gabriel



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Gabriel
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morille
President

Jeffrey R. Emer
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of San Gabriel
San Gabriel, California

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 San Gabriel, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2011 basic financial statements and our report dated December 20, 2011, expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2011, from which such partial information was derived.

As described in Note 15 to the financial statements, the City has recorded prior period adjustments to its 2011 financial statements to correct an error.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 14, the California State Legislature enacted Assembly Bill X1 26 (the "Bill") that dissolved the City's redevelopment agency as of January 31, 2012. In accordance with the timeline set

To the Honorable Mayor and Members of the City Council
of the City of San Gabriel
San Gabriel, California
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forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (Private-purpose trust fund). The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) to the Successor Agency is reported in the private-purpose trust fund as an extraordinary loss.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund budgetary comparison schedule, and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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 express no opinion on them.



Marcum LLP
Irvine, California
February 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of San Gabriel's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets as restated decreased 2.2% to \$53.7 million as a result of this year's operations.
- During the year, the City's governmental expenditures exceeded taxes and general revenues by \$1.2 million after an extraordinary gain of \$1.8 million due to the closure of the City's Redevelopment Agency.
- The total revenues from all sources equaled \$36.7 million.
- The total cost of all City programs equaled \$39.7 million.
- The General Fund reported a negative net change in fund balance of \$2.9 million.
- For the General Fund, actual resources available for appropriation (revenues and transfers-in) were less than the final budget by \$1.4 million, while actual expenditures were \$8.6 million less than the budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. 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 remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is, "As a whole, is the City better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *All* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets—the difference between assets and liabilities— as one way to measure

the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Governmental activities— All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, parks and recreation and the Mission Playhouse. Property taxes, transient occupancy and sales taxes, and vehicle license fees finance most of these activities.
- Component units— The City's governmental activities include blending the San Gabriel Redevelopment Agency, a separate legal entity. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds— *governmental and proprietary*—use different accounting approaches.

- *Governmental Funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual* method of 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 operation and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the City charges its own department for certain services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

**The City as Trustee
Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or *fiduciary*, and fiduciary funds are used to account for resources for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. This year a new category of fiduciary funds, private-purpose trust funds, are used to present information of the San Gabriel Successor Agency and to account for receipt of incremental property tax and payment of enforceable obligations of the former redevelopment agency.

THE CITY AS A WHOLE

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities. The City has chosen to account for its Mission Playhouse operation in the General Fund rather than in an enterprise fund. Therefore, no business type activities are reported in the government-wide statements.

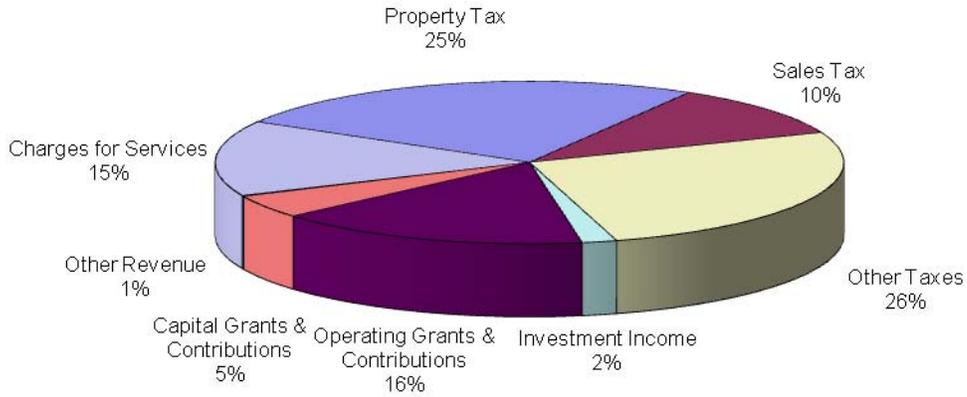
Table 1
Statement of Net Assets
(in Millions)

	Governmental Activities	
	<u>2012</u>	<u>2011</u> (Restated)
Current and other assets	\$26.1	\$30.1
Property held for resale	-	1.5
Advances to trust fund	1.3	-
Capital assets	<u>40.8</u>	<u>38.0</u>
Total Assets	\$68.2	\$69.6
Current Liabilities	5.1	7.6
Noncurrent Liabilities	<u>9.4</u>	<u>7.1</u>
Total Liabilities	14.5	14.7
Net Assets:		
Invested in capital assets, net of debt	40.8	38.0
Restricted for:		
Special projects	10.4	10.6
Capital projects	-	4.1
Unrestricted	<u>2.5</u>	<u>2.2</u>
Total Net Assets	<u>\$53.7</u>	<u>\$54.9</u>

The City's net assets as restated from governmental activities decreased 2.2% from \$54.9 million to \$53.7 million. This decrease of \$1.2 million comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets.

FISCAL YEAR 2012 GOVERNMENTAL ACTIVITIES
(See Table 2)

Sources of Revenue
Total- \$36,722,103



Functional Expenses
Total- \$39,724,376

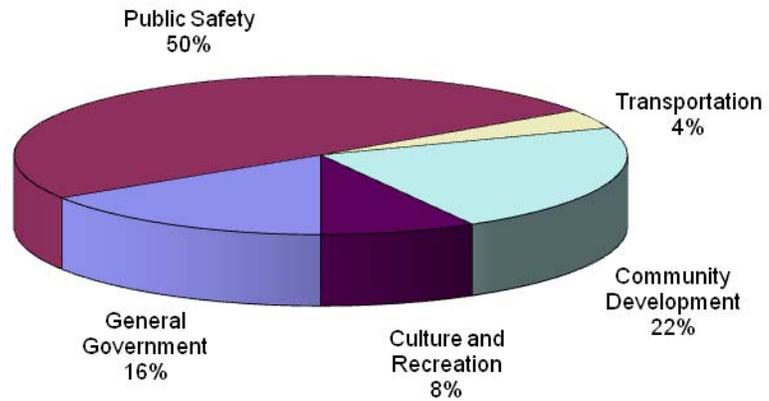


Table 1
Statement of Activities
(in Millions)

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues		
Charges for Service	\$ 5.5	\$ 5.6
Operating Contributions and Grants	5.9	6.9
Capital Contributions and Grants	1.7	2.9
General Revenues		
Taxes		
Property Taxes	9.2	9.0
Utility User Taxes	4.5	4.7
Sales Taxes	3.9	3.5
Motor Vehicle in Lieu	3.6	3.7
Franchise Taxes	.6	.6
Transient Occupancy Taxes	.9	.9
Property Transfer Taxes	.1	.1
Investment Income	.7	.7
Other Revenue	<u>.1</u>	<u>.1</u>
Total Revenues	<u>36.7</u>	<u>38.7</u>
Expenses		
General Government	6.3	6.9
Public Safety	19.7	18.6
Transportation	1.6	3.2
Community Development	8.9	9.0
Culture and Recreation	<u>3.2</u>	<u>3.0</u>
Total Expenses	<u>39.7</u>	<u>40.7</u>
Extraordinary Item	1.8	-
Increase (decrease) in net assets	<u>\$(1.2)</u>	<u>\$(2.0)</u>

The City's total revenues were \$36.7 million, while the total cost of all programs and services were \$39.7 million. This is a decrease of 5.2% in revenue and 2.5% decrease in expenses over the prior year. The major increase in revenue came from Property and Sales Taxes which will be used to offset costs for general operating expenses of the City. This increase in Property and Sales tax revenue is reflective of an improving local economy. The decrease in operating and capital contributions and grants stems from the City not receiving an allocation derived from the State of California, no receipt of the ARRA Stimulus funding from the Federal Government, and a smaller allocation under the Community Development Block Grant Program than the prior year.

Government Activities

Table 3 presents the cost of each of the City’s five largest programs—general government, public safety, transportation, community development and culture and recreation—as well as the *net cost* (total cost less revenues generated by the activities). The net cost shows the financial impact on the City’s taxpayers for each of these functions.

Table 3
Net Cost of Governmental Activities
(in Millions)

	Total Cost of Service		Net Cost of Service	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses				
General Government	\$6.3	\$6.9	\$(5.5)	\$(6.0)
Public Safety	19.7	18.6	(16.8)	(15.6)
Transportation	1.6	3.2	.7	(1.0)
Community Development	8.9	9.0	(2.8)	(.4)
Culture and Recreation	<u>3.2</u>	<u>3.0</u>	<u>(2.2)</u>	<u>(2.2)</u>
Totals	<u><u>\$39.7</u></u>	<u><u>\$40.7</u></u>	<u><u>\$(26.6)</u></u>	<u><u>\$(25.2)</u></u>

- Community Development includes expenditures for the City’s redevelopment agency which include significant costs attributable to the closure of the Redevelopment Agency as more fully provided In Note 3 - Interfund Receivables, Payables and Transfers. Additional costs this year are expenses of \$1,261,323 and \$256,989 which have been recorded as due to other funds/governments in the City's General Fund. The \$256,989 is due to the County of Los Angeles for a Low and Moderate Housing obligation and the \$1,261,323 has also been set-up as due from other funds in the Successor Agency Fund and relates to a recalculation of interest pursuant to the City and Redevelopment Agency Cooperation Agreement.
- The net cost of services indicates that the overall cost of government is greater than the revenues generated to support it from fees and user charges. This is an indication that the taxes and general revenues charged by the City are necessary to support operations. The largest areas of tax support come from the property taxes \$9.2 million, Utility Users Taxes \$4.5 million, and Motor Vehicle in Lieu \$3.6 million. See the Statement of Activities for further detail on program revenues and general revenues.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

At year-end the City’s governmental funds reported combined fund balances of \$18.5 million, which is a \$1.9 million decrease from last year. Included in this amount is a net decrease in fund balance for the General fund of approximately \$2.9 million.

The City's General Fund Unassigned fund balance is \$1.1 million. This is less than the City's desire of having \$1.4 million available for emergencies and for immediate appropriation. However, the City's Successor Agency currently owes the General Fund approximately \$1.2 million as an outstanding obligation due to the closure of the redevelopment agency and once the Successor Agency receives approval through the ROPS process, a significant portion of that loan should be repaid. The City feels strongly that they will receive payment on the advances to the former redevelopment agency but there remains uncertainty regarding these advances. Additional information regarding these advances can be found in the disclosures provided in the Basic Financial Statements (Notes #3 and #14 on pages 51 through 54 and 71 through 72). A new Public Works Yard and Police Station are currently in the beginning stages of planning and these two projects make up the largest portion of the City's Committed Fund Balance. Similar to the Nonspendable portion of the General fund, these two projects while Committed are still in the early enough stages that these Funds could become available with appropriate City Council authorization. The combination of a stable property tax base and a relatively diversified Sales Tax revenue stream, even in these uncertain times, continues to ensure the City's revenues are not severely at risk for decline. In addition, there is a continued firm commitment by management to reduce expenditures providing for a significant "under-expenditure" of the approved budget.

- The Retirement fund revenues increased due to an increase in assessed valuations over the prior year. Transfers out, made to cover the retirement expenditures accounted for in other funds had an aggregated decrease due to a policy decision, which included a decision to not fill vacant positions. Consequently, the Retirement Fund transferred a lower nominal dollar amount than the prior year. The City's decision, therefore masked the fact that actuarial rates for the City's CalPERS defined benefit program have increased similar to other CalPERS member agencies, but are also higher due to the implementation of GASB 45 whereby the City has established a trust account and continued to make payments under the prefunding plan that increases the payments to the trust account by 5% of the Annual Required Contribution each year.
- The Community Development Block Grant Fund's revenues and expenditures decreased due to delayed implementation of a Streetscape Improvement Project from the prior year and is a project that is also inter-related with the closure of the City's Redevelopment Agency. The City was able to complete a remaining part of a first phase of the Streetscape Improvement Project on San Gabriel Boulevard. However, it is fully anticipated that the City will not return to this higher level of activity on the Streetscape Project and this is also combined the real possibility of a structurally reduced CDBG allocation from the U.S. Government.
- The Redevelopment Fund shows an ending total fund balance of zero due to the dissolution of the San Gabriel Redevelopment Agency. Upon dissolution and transfer of the residual advances to the Private Purpose Trust Fund, an extraordinary gain was recognized. The tax revenue of \$380,253 reflects the tax increment forwarded to the San Gabriel Redevelopment Agency prior to the implementation of AB1X26.

General Fund Budgetary Highlights

The final expenditures for the General Fund at year-end were \$8.6 million less than the final budget. The budget to actual variance in appropriations was due to departments spending less than their historical average a continued motivation to “save our way to prosperity.” This under expenditure was “masked over” by a combined \$875,000 Police facility set-a-side. It is the City’s policy to budget in the Police budget an amount sufficient to provide for the future construction of a new Police Facility. The appropriate accounting treatment requires that the funds not be expended, but treated as a commitment to fund balance until such time as the set-a-side resources will be combined with the budgeted debt service payments for the construction of the Police Facility. Actual revenues were less than the final budget by \$222,000. Budget amendments were made during the year to prevent budget overruns and to increase appropriation for unanticipated expenditures after adoption of the original budget.

CAPIAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the City had \$40.8 million invested in a broad range of capital assets, including police and fire equipment, buildings, land, park facilities and roads (See Table 4 below and refer to Note #4 on page 50 to the Financial Statements for additional information). This amount represents a net increase (including additions and deductions) of \$.5 million or 4% above last year. Readers desiring more detailed information on Capital Assets activity will find it in the disclosure provided in the Basic financial Statements (Note #4 on page 54)

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Government Activities	
	<u>2012</u>	<u>2011 (Restated)</u>
Land	\$5.7	\$5.7
Construction in Progress	1.3	.4
Buildings & Improvements	8.3	7.0
Machinery & Equipment	2.5	2.5
Infrastructure	<u>23.0</u>	<u>22.4</u>
Totals	<u>\$40.8</u>	<u>\$38.0</u>

Debt

At year-end, the City had no outstanding bonded indebtedness. The City's only long-term liability is for compensated absences for accumulated employee vacation and sick-time, Other Post Employee Benefits (OPEB), or claims liability arising from normal governmental operations. At year-end the City's liability for Compensated Absences was \$2,490,584 or \$404,347 more than the prior year. Of the \$2,490,584, \$747,175 is anticipated to be due within one year. The City's Other Post Employee Benefits liability was \$5,611,817, which is \$1,367,833 more than the prior year. At year-end the City's liability for Claims Payable/Self Insurance was \$2,982,961 or \$923,848 more than the prior year. Of the \$2,982,961, it is estimated that \$894,888 to be due within one year. Readers desiring more detailed information on debt will find it in the disclosure provided in the Basic financial Statements (Note #5 on pages 55 through 57.)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The great recession, as it has been termed, technically ended once the U.S. economy began to experience positive growth in July 2009. And while growth has been slow, there are continuing signs that the economy is recovering. While the City maintains a diverse housing stock, the City's economy continues to be predominately commercial and retail based mixed in with a developing Pacific Rim tourism business. Many of these tourists are here on business and later many decided to establish a home and/or a business for themselves or family. As such, while much has been made over that past several years about declining property tax values, San Gabriel has continued to buck that trend when compared to other communities within Los Angeles County. For example, while in Los Angeles County assessed values increased 2.2% overall, the City of San Gabriel had a 2.6% increase in assessed values and was in the top third highest increases in the County. Sales taxes continue to move on a positive trajectory simultaneously reaching to within approximately 7% or \$300,000 of the "all time high" sales tax revenue received in 2006-07.

The State of California continues to struggle financially. Heavily dependent on sales tax and income tax revenues, the downturn in the economy dramatically impacted the state. The state recently projected a deficit and while the State's adopted FY2013 budget appeared to resolve this anticipated deficit, more recent analysis indicates that the state may fall short of projected revenues. With the passage of Proposition 30, which was assumed as part of the FY 2013 budget, the trigger cuts to education were avoided and the projected deficit has declined.

Last fiscal year the State's then budget plan included proposals which could effectively end redevelopment agencies in California. At the time there was optimism that a compromised agreement would be reached to preserve redevelopment while providing much needed financial support to the state. Unfortunately, through legislation and subsequent court action, more than 400 local redevelopment agencies in California were dissolved as of February 1, 2012, thereby eliminating a critical mechanism to improve communities and create jobs through the elimination of blight and support for economic development and the expansion of low and moderate income housing.

For the City of San Gabriel, the unwinding of redevelopment has been difficult due to the uncertainties that still exist in the interpretation of the new law. It should be noted that the financial reporting of the dissolution of the San Gabriel Redevelopment Agency has resulted in some one-time extraordinary gains and losses. These treatments are required by Generally Accepted Accounting Principles and are explained in more detail in footnotes to the financial statements.

The growing federal deficit is also likely to impact City Finances, as most federal budget reductions have come at the expense of domestic spending in federal programs, primarily in the areas of housing, community development block grants, transportation and public safety. The biggest threat posed by the federal budget is addressing the "federal fiscal cliff" and avoiding the possibility of throwing the U.S. economy into another recession.

The City's 2012-13 Budget takes into account the historical trends for the community and projecting transient occupancy tax, sales tax, and property taxes. In order to improve the revenue stream for the City, the City is continuing to strive to expand its economic development program and has committed additional resources to help the community expand in this area. San Gabriel saw a net addition of new businesses over the past three years; retained one of the lowest foreclosure rates in the region; experienced stable property values when compared to regional trends; and has seen relatively strong commercial growth compared with the majority of San Gabriel valley communities. Some key victories include: San Gabriel Promenade, a 62,000 square foot center makeover of the former Lucky Supermarket Center which resulted in 90 permanent new jobs and 37 construction jobs. Another redevelopment project resulted in the iconic Airstream company opening a new sales and service dealership--the only such operation in the State of California. The pending circumstances surrounding the dissolution of Redevelopment in the State of California may have significant impact to the future commitment of City resources for economic development. Readers desiring more detailed information on the dissolution of redevelopment will find it in the disclosure provided in the Basic Financial Statements (Notes #3 and #14 on pages 51 through 54 and 71 through 72.) The 2012-13 Budget reflects an increase in operating expenditures, equally offset by increases in revenue with the results producing a "balanced budget." The Budget included a recommendation to increase the Transient Occupancy Tax from 10% to 12%. That ballot measure will be placed on the regularly scheduled municipal election scheduled for March 5, 2013. It is anticipated that if that measure is approved that it will generate an additional \$181,000 annually. In addition to the Transient Occupancy Tax revenue, only minor fee increases for user fees for the swimming pool and parking fees at the Mission Playhouse were recommended.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, please contact the City's Finance Department, at the City of San Gabriel 425 S. Mission Drive, San Gabriel, California 91776.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of San Gabriel
Statement of Net Assets
June 30, 2012

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 21,471,741
Receivables:	
Accounts	968,262
Interest	13,111
Due from other governments	3,664,474
Prepaid costs	22,226
Total current assets	26,139,814
Noncurrent assets:	
Advances to trust fund	1,284,945
Capital assets:	
Nondepreciable assets	6,952,694
Depreciable assets, net	33,820,992
Total noncurrent assets	42,058,631
Total assets	68,198,445
LIABILITIES	
Current liabilities:	
Accounts payable	943,901
Accrued liabilities	935,682
Due to trust fund	1,261,323
Due to other governments	259,291
Deposits payable	21,907
Compensated absences, due within one year	747,175
Claims payable, due within one year	894,888
Total current liabilities	5,064,167
Noncurrent liabilities:	
Compensated absences, due in more than one year	1,743,409
Claims payable, due in more than one year	2,088,073
Other post employment benefit liabilities, due in more than one year	5,611,817
Total noncurrent liabilities	9,443,299
Total liabilities	14,507,466
NET ASSETS	
Investments in capital assets	40,773,686
Restricted for:	
Special projects	10,408,493
Capital projects	-
Unrestricted	2,508,800
Total net assets	\$ 53,690,979

See accompanying Notes to Basic Financial Statements.

City of San Gabriel
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 6,324,430	\$ 788,719	\$ (3,975)	\$ -	\$ 784,744	\$ (5,539,686)
Public safety	19,695,496	2,292,293	546,152	103,701	2,942,146	(16,753,350)
Community development	8,880,924	1,653,036	3,700,722	707,594	6,061,352	(2,819,572)
Culture and recreation	3,259,953	780,451	14,072	261,079	1,055,602	(2,204,351)
Transportation	1,563,573	6,000	1,691,445	614,820	2,312,265	748,692
Total governmental activities	39,724,376	5,520,499	5,948,416	1,687,194	13,156,109	(26,568,267)
Total primary government	\$ 39,724,376	\$ 5,520,499	\$ 5,948,416	\$ 1,687,194	\$ 13,156,109	(26,568,267)
General revenues:						
Taxes:						
Property taxes						9,237,775
Utility users tax						4,514,886
Sales taxes						3,860,989
Franchise taxes						582,469
Transient occupancy taxes						948,223
Property transfer tax						87,613
Motor vehicle in lieu - unrestricted						3,611,799
Investment income						654,325
Other						67,915
Total general revenues						23,565,994
Change in net assets before extraordinary item						(3,002,273)
Extraordinary item						1,805,302
Change in net assets						(1,196,971)
Net assets - beginning of year, as restated (Note 15)						54,887,950
Net assets - end of year						\$ 53,690,979

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

City of San Gabriel
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue Funds		
		Retirement	Proposition C Local Return	Community Development Block Grant
ASSETS				
Cash and investments	\$ 6,626,033	\$ 928,761	\$ 2,046,057	\$ -
Receivables:				
Accounts	840,131	-	-	-
Interest	13,111	-	-	-
Due from other funds	1,409,620	-	-	-
Due from other governments	1,970,255	265,564	1,665	167,677
Prepaid costs	2,640	-	-	-
Advances to other funds	1,284,945	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ 12,146,735	\$ 1,194,325	\$ 2,047,722	\$ 167,677
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 496,806	\$ -	\$ 28,412	\$ 117,691
Accrued liabilities	898,626	-	9,710	9,922
Due to other funds	1,261,323	-	-	41,451
Due to other governments	259,291	-	-	-
Deposits payable	21,907	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	919,065	-	-	146,843
Total liabilities	3,857,018	-	38,122	315,907
Fund Balances:				
Nonspendable	1,291,035	-	-	-
Restricted	21,907	1,194,325	2,009,600	-
Committed	5,836,526	-	-	-
Assigned	-	-	-	-
Unassigned	1,140,249	-	-	(148,230)
Total fund balances	8,289,717	1,194,325	2,009,600	(148,230)
Total liabilities and fund balances	\$ 12,146,735	\$ 1,194,325	\$ 2,047,722	\$ 167,677

See accompanying Notes to Basic Financial Statements.

Special Revenue Funds		Capital Project Fund		Non-major Governmental Funds	Total Governmental Funds	
Other Grants Fund	Low and Moderate Income Housing	Redevelopment			2012	2011
\$ -	\$ -	\$ -	\$ -	\$ 7,828,986	\$ 17,429,837	\$ 22,247,147
-	-	-	-	75,141	915,272	977,695
-	-	-	-	-	13,111	53,031
-	-	-	-	-	1,409,620	355,770
1,025,500	-	-	-	233,813	3,664,474	3,255,618
-	-	-	-	-	2,640	2,640
-	-	-	-	-	1,284,945	5,451,938
-	-	-	-	-	-	1,500,000
<u>\$ 1,025,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,137,940</u>	<u>\$ 24,719,899</u>	<u>\$ 33,843,839</u>
\$ 27,991	\$ -	\$ -	\$ -	\$ 208,016	\$ 878,916	\$ 5,153,549
-	-	-	-	6,183	924,441	950,031
1,334,218	-	-	-	33,951	2,670,943	355,770
-	-	-	-	-	259,291	1,792
-	-	-	-	-	21,907	-
-	-	-	-	-	-	5,451,938
317,217	-	-	-	31,296	1,414,421	1,534,118
<u>1,679,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,446</u>	<u>6,169,919</u>	<u>13,447,198</u>
-	-	-	-	-	1,291,035	5,457,078
-	-	-	-	7,880,973	11,106,805	15,090,020
-	-	-	-	-	5,836,526	6,121,090
-	-	-	-	-	-	-
(653,926)	-	-	-	(22,479)	315,614	(6,271,547)
<u>(653,926)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,858,494</u>	<u>18,549,980</u>	<u>20,396,641</u>
<u>\$ 1,025,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,137,940</u>	<u>\$ 24,719,899</u>	<u>\$ 33,843,839</u>

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City of San Gabriel
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds	\$ 18,549,980
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation of \$40,688,948, have not been included as financial resources in governmental fund activity:	
Capital assets, net of accumulated depreciation - governmental activities	40,773,686
Capital assets, net of accumulated depreciation - internal service funds	(214,615)
Compensated absences have not been included in the governmental fund activity:	
Compensated absences - governmental activities	(2,490,584)
Compensated absences - internal service funds	32,506
Other post employment benefit liabilities have not been included in the governmental fund activity:	
Other post employment benefit liabilities	(5,611,817)
Revenues that are measureable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting in the fund financial statements, but the revenue is recognized in the statement of net assets.	
	1,414,421
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds are not included in the governmental fund financial statements.	
	1,237,402
Net Assets of Governmental Activities	\$ 53,690,979

City of San Gabriel
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	General Fund	Special Revenue Funds		
		Retirement	Proposition C Local Return	Community Development Block Grant
REVENUES:				
Taxes	\$ 13,865,206	\$ 5,366,747	\$ -	\$ -
Intergovernmental	4,389,902	-	521,469	566,684
Charges for services	2,143,029	-	-	-
Fines and forfeitures	1,099,215	-	-	-
Licenses and permits	1,721,882	-	-	-
Investment income	1,128,030	56,071	34,126	-
Other	195,915	-	-	-
Total revenues	24,543,179	5,422,818	555,595	566,684
EXPENDITURES:				
Current:				
General government	5,476,596	-	-	-
Public safety	17,262,103	-	-	-
Community development	5,867,057	-	-	250,111
Culture and recreation	2,724,019	-	-	66,175
Transportation	-	-	567,761	-
Pass-throughs	-	-	-	-
Capital outlay	1,421,666	-	5,700	398,628
Total expenditures	32,751,441	-	573,461	714,914
REVENUES OVER (UNDER) EXPENDITURES	(8,208,262)	5,422,818	(17,866)	(148,230)
OTHER FINANCING SOURCES (USES):				
Transfers in	5,315,085	-	-	-
Transfers out	-	(5,535,322)	-	-
Total other financing sources (uses)	5,315,085	(5,535,322)	-	-
Change in Fund Balance Before Extraordinary Item	(2,893,177)	(112,504)	(17,866)	(148,230)
Extraordinary Item	-	-	-	-
Net change in fund balances	(2,893,177)	(112,504)	(17,866)	(148,230)
FUND BALANCES:				
Beginning of year	11,182,894	1,306,829	2,027,466	-
End of year	\$ 8,289,717	\$ 1,194,325	\$ 2,009,600	\$ (148,230)

See accompanying Notes to Basic Financial Statements.

Special Revenue Fund		Capital Project Fund		Non-major Governmental Funds	Total Governmental Funds	
Other Grants Fund	Low and Moderate Income Housing	Redevelopment			2012	2011
\$ -	\$ 95,063	\$ 380,253	\$ -	\$ 19,707,269	\$ 19,971,918	
1,229,525	-	-	2,646,298	9,353,878	8,851,153	
-	-	-	1,152,413	3,295,442	3,255,034	
-	-	-	-	1,099,215	1,121,834	
-	-	-	-	1,721,882	1,682,928	
-	35,564	81,969	89,940	1,425,700	1,589,883	
-	-	-	-	195,915	1,830,805	
1,229,525	130,627	462,222	3,888,651	36,799,301	38,303,555	
-	-	-	-	5,476,596	6,129,782	
-	-	-	209,311	17,471,414	16,922,858	
-	50,331	577,803	-	6,745,302	4,983,199	
-	-	-	203,089	2,993,283	2,872,819	
-	-	-	27,648	595,409	1,998,050	
-	-	-	-	-	156,823	
1,708,285	-	582,108	2,232,636	6,349,023	7,474,667	
1,708,285	50,331	1,159,911	2,672,684	39,631,027	40,538,198	
(478,760)	80,296	(697,689)	1,215,967	(2,831,726)	(2,234,643)	
-	-	-	-	5,315,085	5,813,008	
-	-	-	(600,000)	(6,135,322)	(6,653,513)	
-	-	-	(600,000)	(820,237)	(840,505)	
(478,760)	80,296	(697,689)	615,967	(3,651,963)	(3,075,148)	
-	(289,183)	2,094,485	-	1,805,302	-	
(478,760)	(208,887)	1,396,796	615,967	(1,846,661)	(3,075,148)	
(175,166)	208,887	(1,396,796)	7,242,527	20,396,641	23,471,789	
\$ (653,926)	\$ -	\$ -	\$ 7,858,494	\$ 18,549,980	\$ 20,396,641	

City of San Gabriel

Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (1,846,661)
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Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period:

Capital addition - governmental activities	5,265,842
Capital addition - internal service funds	(159,420)
Capital deletion - governmental activities	(23,186)
Depreciation - governmental activities	(2,511,862)
Depreciation - internal service funds	11,377

Compensated absences expense - governmental activities	(404,347)
Compensated absences expense- internal service funds	8,484

To record as an adjustment to expense the net change in compensated absences in the statement of activities.	<u>(395,863)</u>
--	------------------

To record as an adjustment to expense the net change in other post employment benefit liabilities in the statement of activities.	(1,367,833)
---	-------------

Revenues that are measureable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting. This amount represents the net change in deferred revenue.	(119,697)
--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities, but not in the governmental funds activity.	<u>(49,668)</u>
--	-----------------

Change in Net Assets of Governmental Activities	<u><u>(1,196,971)</u></u>
--	----------------------------------

PROPIETARY FUND FINANCIAL STATEMENTS

City of San Gabriel
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Governmental Activities	
	Internal Service Funds	
	2012	2011
ASSETS		
Current assets:		
Cash and investments	\$ 4,041,904	\$ 3,393,316
Receivables:		
Accounts	52,990	-
Prepaid costs	19,586	153,169
Total current assets	4,114,480	3,546,485
Noncurrent assets:		
Capital assets:		
Building	115,780	115,780
Machinery and equipment	208,473	49,053
Accumulated depreciation	(109,638)	(98,260)
Total capital assets	214,615	66,573
Total assets	4,329,095	3,613,058
LIABILITIES		
Current liabilities:		
Accounts payable	64,985	232,539
Accrued payroll	11,241	10,315
Compensated absences	32,506	24,021
Claims payable - current portion	894,888	617,734
Total current liabilities	1,003,620	884,609
Noncurrent liabilities:		
Claims payable, net of current portion	2,088,073	1,441,379
Total liabilities	3,091,693	2,325,988
NET ASSETS		
Invested in capital assets	214,615	66,573
Unrestricted	1,022,787	1,220,497
Total net assets	\$ 1,237,402	\$ 1,287,070

See accompanying Notes to Basic Financial Statements.

City of San Gabriel
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2012

	Governmental Activities Internal Service Funds	
	2012	2011
OPERATING REVENUES:		
Charges for services	\$ 5,016,966	\$ 5,002,878
Total operating revenues	5,016,966	5,002,878
OPERATING EXPENSES:		
Personnel services	306,041	287,643
Contractual services	21,663	15,073
Vehicle operating	397,570	390,503
Depreciation	11,377	2,873
Utilities	5,968	5,237
Uniforms	2,678	2,509
Operating expenses	914	1,468
Insurance premiums	3,910,086	3,641,842
Claims and judgments	1,273,073	777,568
Total operating expenses	5,929,370	5,124,716
OPERATING INCOME (LOSS)	(912,404)	(121,838)
NONOPERATING REVENUES:		
Investment income	42,499	48,694
Total other financing sources (uses)	42,499	48,694
INCOME (LOSS) BEFORE TRANSFERS	(869,905)	(73,144)
Transfers in	855,237	840,505
Transfers out	(35,000)	-
Total transfers	820,237	840,505
Change in net assets	(49,668)	767,361
NET ASSETS		
Beginning of year	1,287,070	519,709
End of year	\$ 1,237,402	\$ 1,287,070

See accompanying Notes to Basic Financial Statements.

City of San Gabriel
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Governmental Activities	
	Internal Service Funds	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from user departments	\$ 4,963,976	\$ 5,002,878
Cash payments to suppliers for goods and services	(4,722,075)	(4,559,918)
Cash payments to employees for services	(296,630)	(287,081)
Net cash provided by (used for) operating activities	(54,729)	155,879
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	855,237	840,505
Cash provided to other funds	(35,000)	-
Net cash provided (used) by noncapital financing activities	820,237	840,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments to acquire capital assets	(159,419)	-
Net cash provided by (used for) capital and related financing activities	(159,419)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	42,499	48,694
Net cash provided by investing activities	42,499	48,694
Net increase (decrease) in cash and cash equivalents	648,588	1,045,078
CASH AND CASH EQUIVALENTS		
Beginning of year	3,393,316	2,348,238
End of year	\$ 4,041,904	\$ 3,393,316
RECONCILIATION OF NET OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (912,404)	\$ (121,838)
Adjustments to reconcile operating income (loss)		
to net cash provided by (used for) operating activities:		
Depreciation	11,377	2,873
(Increase) decrease in accounts receivable	(52,990)	-
(Increase) decrease in prepaids	133,583	(140,324)
Increase (decrease) in accounts payable	(167,554)	(46,225)
Increase (decrease) in accrued payroll	926	1,943
Increase (decrease) in compensated absences	8,485	(1,381)
Increase (decrease) in claims payable	923,848	460,831
Total adjustments	857,675	277,717
Net cash provided by (used for) operating activities	\$ (54,729)	\$ 155,879

See accompanying Notes to Basic Financial Statements.

**FIDUCIARY FUND
FINANCIAL STATEMENTS**

City of San Gabriel
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Fund	Private Purpose Trust Fund	Total Fiduciary Funds	
			2012	2011
ASSETS				
Cash and investments	\$ 626,858	\$ 1,047,555	\$ 1,674,413	\$ 610,823
Account receivable	44,952	-	44,952	55,470
Due from City of San Gabriel	-	1,261,323	1,261,323	-
Property held for resale	-	1,500,000	1,500,000	-
Total assets	\$ 671,810	\$ 3,808,878	\$ 4,480,688	\$ 666,293
LIABILITIES				
Accounts payable	\$ 32,687	\$ 3,452,008	\$ 3,484,695	\$ 28,042
Accrued liabilities	-	7,897	7,897	-
Deposits payable	639,123	-	639,123	638,251
Advances from City of San Gabriel	-	1,284,945	1,284,945	-
Total liabilities	\$ 671,810	\$ 4,744,850	\$ 5,416,660	\$ 666,293
NET ASSETS	\$ -	\$ (935,972)	\$ (935,972)	\$ -

See accompanying Notes to Basic Financial Statements.

City of San Gabriel
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Five Months Ended June 30, 2012

	Five Months Ended June 30, 2012 Private Purpose Trust Fund
REVENUES:	
Tax increment received	\$ 269,317
Interest earnings	1,261,323
Total Revenues	<u>1,530,640</u>
EXPENDITURES:	
Community development	<u>661,310</u>
Total Expenditures	<u>661,310</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>869,330</u>
EXTRAORDINARY ITEM	<u>(1,805,302)</u>
Net Increase (Decrease) in Net Assets	<u>(935,972)</u>
Net Assets - beginning of year	<u>-</u>
Net Assets - end of year	<u>\$ (935,972)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of San Gabriel

Notes to Basic Financial Statements

For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of San Gabriel (City) was incorporated April 24, 1913 under the general laws of the state of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City is a municipal corporation governed by an elected five-member council.

The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of the more significant policies.

A. *Financial Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the City of San Gabriel and its component unit, an entity for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. A brief description of the component unit is as follows:

- The San Gabriel Redevelopment Agency (Agency) was established in February 1991, pursuant to the State of California Health and Safety Code Section 33000 entitled, "Community Redevelopment Law." Although it is a legally separate entity from the City, the Agency is reported as if it were part of the City because of its purpose to prepare and execute plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City. Pursuant to Assembly Bill 1X 26, the City of San Gabriel Redevelopment Successor Agency (Successor Agency) was created, and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February, 1, 2012, as further explained in Note 14.

Because the City Council serves as the governing board for this component unit, it is considered to be a blended component unit. A blended component unit, although legally a separate entity, is in substance, part of the City's operations and so data from the unit is reported with the interfund data of the primary government.

B. *Basis of Accounting and Measurement Focus*

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting of all funds of the City are based on all GASB pronouncements, as well as FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

pronouncements issued after November 30, 1989 are not followed in preparation of the accompanying financial statements.

New Accounting Pronouncements

Government Accounting Standards Board Statement No. 60

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements in which a government engages a company or another government to operate a major capital asset in return for the right to collect fees from users of the capital asset. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB 61 is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and display and disclosure requirements. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The City had decided to early adopt GASB Statement 62 during fiscal year 2011.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial guidance for deferred outflows

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

Government – Wide and Fund Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of San Gabriel has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized when the accrual basis criteria are met and the revenues are available.

Program revenues include charges for services and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Fiduciary statements include financial information for the fiduciary fund. The fiduciary fund of the City primarily represents assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of sixty days.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Noncurrent portions of long-term receivables are offset as restricted fund balance.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Further, if there is an expenditure incurred for purposes for which committed, assigned and /or unassigned fund balance classifications could be used, and all those funds are available, the City will spend in the order of the committed, assigned and unassigned.

Propriety Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as noncapital revenues and expenses.

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

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Funds

The City reports the following fiduciary funds:

Agency Fund

The Agency Fund is custodial in nature and does not involve measurement of results of operations.

Private Purpose Trust Fund

The Private Purpose Trust Fund accounts for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Private purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting.

C. Major Governmental Funds, Internal Service Funds and Fiduciary Fund Types

The City's major governmental funds are as follows:

General Fund - The primary fund of the City is used to account for all revenues and expenditures of the City not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Manager, City Attorney, Finance, City Clerk, Community Development, Public Safety and Culture and Recreation.

Retirement Fund - This fund is used to account for the receipt of property taxes of a voter-approved tax levy and pay the City's cost of retirement for employees.

Proposition C Local Return Fund - This fund is used to account for monies received from an allocation of sales tax revenue restricted to fund local transportation related activities in accordance with Proposition C regulations.

Community Development Block Grant Fund - This fund is used to account for funds from the Community Development Block Grant for neighborhood improvement and rehabilitation purposes.

Other Grants Fund - This fund is used to account for funds from the State and Federal grants for neighborhood improvement and rehabilitation purposes.

Low and Moderate Income Housing Fund - This fund is used to account for 20% of the tax increment received by the San Gabriel Redevelopment Agency which is to be expended for the purpose of increasing, improving, and preserving the low and moderate income housing available at affordable housing costs to persons and families of low or moderate income to very low income households.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Major Governmental Funds, Internal Service Funds and Fiduciary Fund Types, Continued

Redevelopment Capital Project Fund - This fund is used to account for revenues and expenditures associated with the acquisition or construction of capital items for the San Gabriel Redevelopment Agency.

Other fund types of the City are as follows:

Internal Service Funds:

Self-Insurance Fund - This fund is used to account for payments for the City's workers' compensation and general liability claims.

Automotive Maintenance Fund - This fund is used to account for the costs of operating a maintenance facility for automotive equipment used by City departments.

Fiduciary Funds:

Agency Fund:

Deposit Fund - This fund is used to account for deposits collected by the City which will be refunded at some later date.

Private Purpose Trust Fund:

This fund is used to account for the assets, liabilities, and activities of the City of San Gabriel Successor Agency.

D. Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balances.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of San Gabriel. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the internal service fund is considered cash and cash equivalents.

F. Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

Capital assets include additions to public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains. Infrastructure acquired prior to fiscal years ended June 30, 1980 is reported.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the internal service funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings and improvements	20-50 years
Machinery and equipment	5-20 years
Infrastructure	15-50 years

G. Compensated Absences

Permanent City employees earn from 10 to 20 vacation days, 12 holidays and 12 sick leave days a year. In addition, if an employee works overtime, they may receive compensatory time pursuant to the Fair Labor Standards Act. Upon termination, employees are paid for all unused vacation hours, holiday and compensatory time earned. Upon a service retirement, employees are paid one-third of accumulated sick leave and all of their accumulated vacation, holiday and compensatory time earned. The remaining unused accumulated sick leave is used to increase service credit pursuant to the California Public Employees Retirement System.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. *Compensated Absences, Continued*

A liability is recorded for unused vacation, holiday and compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This liability is estimated by using 33% of the unused balances of employees age 51 and above and 10% of the unused balances of employees aged 45-50. Employees under age 45 are not estimated to receive termination payments, but are anticipated to receive the benefit of their unused sick leave through their service to the City.

H. *Property Taxes*

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

Lien date	March 1
Levy date	July 1 to June 30
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

I. *Property Held for Resale*

The property held for resale was acquired by the City as a result of a court settlement by condemnation for redevelopment purposes. The settlement cost was \$1,500,000. This property was transferred to the City of San Gabriel Successor Agency pursuant to Assembly Bill x1 26.

J. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

K. *Prior Year Data*

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Internal Activity Elimination

Internal fund balances generally must be eliminated in the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

M. Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

N. Net Assets

In the Government-Wide Financial Statements and the proprietary fund financial statements, net assets are classified in the following categories:

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

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

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

O. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balance includes amounts that can be used only for specific purpose determined by the highest level of decision making. These committed amounts cannot be used for any other purpose unless the City removes or changes the specified use through the same type of formal action taken to establish the commitment. The City Council is considered the highest authority for the City. This policy was adopted with City Council Resolution No. 11-18.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Fund Balances, Continued

Assigned – Assigned fund balances encompass the amounts that can be used by the City for specific purposes but are not restricted or committed. The City Council Resolution 11-18 designates the City Manager as the City Official to determine and define the amounts of those components of fund balance that are classified as "Assigned Fund Balance"

Unassigned – This category is for any balances that have no restrictions placed upon them.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 21,471,741
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	1,674,413
Total cash and investments	<u>\$ 23,146,154</u>
Cash and investments as of June 30, 2012 consist of the following:	
Cash on hand	\$ 3,450
Deposits with financial institutions	6,896,859
Investments	16,245,845
Total cash and investments	<u>\$ 23,146,154</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, and concentration of credit risk.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	* Maximum Investment In One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	20%	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20% of basic value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	10%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JP A Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)				
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Mutual funds	\$ 216,460	\$ 216,460	\$ -	\$ -	\$ -
LAIF	4,416,400	4,416,400	-	-	-
Total	\$ 4,632,860	\$ 4,632,860	\$ -	\$ -	\$ -

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Total	Rating as of Year End		
		Minimum Legal Rating	AAA	Not Rated
Mutual funds	\$ 216,460	N/A	\$ 216,460	\$ -
LAIF	4,416,400	N/A	-	4,416,400
Total	\$ 4,632,860		\$ 216,460	\$ 4,416,400

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, none of the City's deposits or investments was exposed to custodial credit risk.

Investment in State Investment Pool

The City is a participant in LAIF, which 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, 2012, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: 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 that have embedded forwards or options.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Asset-Backed Securities: generally mortgage-backed securities that 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 (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2012, the City had \$4,416,400 invested in LAIF, which had invested 6.94% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001219643 was used to calculate the fair value of the investments in LAIF.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To and Due From Other Funds - At June 30, 2012, the City had the following due to/from other funds:

Due to Other Funds	Due from Other Funds		Total
	Governmental Funds:	Fiduciary Funds	
	General Fund	Private Purpose Trust Fund	
Governmental Funds:			
General Fund	\$ -	\$ 1,261,323	\$ 1,261,323 (A)
Community Development Block Grant	41,451	-	41,451 (B)
Other Grants Fund	1,334,218	-	1,334,218 (B)
Non Major Governmental Funds	33,951	-	33,951 (B)
Total	\$ 1,409,620	\$ 1,261,323	\$ 2,670,943

(A) Potential amount of over accrued interest earned on advances from the City to the former Redevelopment Agency due to the Successor Agency pending determination by the California Department of Finance.

(B) Short-term borrowing to cover temporary cash shortfalls.

Advances To/From Other Funds - At June 30, 2012, the City had the following advances to/from other funds:

Advances from Other Funds	Advances to Other Funds	
	Governmental Funds	
	General Fund	
Fiduciary Funds:		
Private Purpose Trust Fund	\$ 1,284,945	(C)
Total	\$ 1,284,945	

(C) In 1993 the City and the RDA entered into a Cooperation Agreement. Pursuant to that agreement, beginning in June 1993, the City made advances each and every fiscal year to the RDA for various redevelopment activities and to annually pay interest that had accrued on the balance. The payment of that interest and the indebtedness created by the advances was reported annually

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, Continued

Advances To/From Other Funds, Continued

to the County of Los Angeles Auditor Controller and the State of California on the Statement of Indebtedness, the document that qualified the RDA to receive property tax increment revenue under California State Law. The amounts were also reflected City's and RDA's audited financial statements.

Legislation enacted in 2011 ("ABx1 26") terminated redevelopment agencies and in accordance with that legislation the RDA was dissolved on January 31, 2012, without ever having made a payment on the principal due under the Cooperation Agreement.

The San Gabriel Successor Agency, a legal entity separate from the City itself assumed the former RDA's obligations. The amount owed pursuant to the Cooperation Agreement was regarded as an "enforceable obligation" as defined in ABx1 26 and accordingly the Successor Agency schedule a partial payment of up to \$4,642,832 of the debt during the ROPS I period as item #1 on ROPS I. The Oversight Board and the California Department of Finance ("DOF") both approved the ROPS I and the Successor Agency thereafter paid \$4,166,992 which was applied to principal. There was an additional payment of \$552,091 made at June 30, 2012 of accrued interest that was made subsequent to the ROPS process. The advances balance is \$1,284,945 as of June 30, 2012.

The Cooperation Agreement called for the advances to be repaid with interest at a variable rate calculated at 1% over the prime lending rate of First Interstate Bank readjusted quarterly. During 1996 First Interstate Bank was acquired by another bank and the City and the RDA decided to fix the interest rate at 1% over First Interstate Bank's prime lending rate which was 9.75%. However the City has recorded an amount to reserve against the advances of \$1,261,323 in fiscal year 2012 which was calculated using 1% over the federal prime rate after the acquisition of First Interstate Bank. These amounts were recorded as due to other funds in the City's General Fund and as a due from other funds in the Successor Agency Fund.

Subsequent to the Successor Agency making the payment the Los Angeles County Auditor Controller's office completed its legally required review of the Agency's "Prior Period Estimated Obligations vs. Actual Payments" tab of the Successor Agency's ROPS III submission which indicated the payment of \$4,166,993. The Los Angeles County Auditor Controller determined that no adjustment was necessary. This review was completed on November 30, 2012, and communicated to the DOF. No further communication regarding the payment has been received to date.

In its review of ROPS III, the DOF determined that the remaining amounts of the advances due under the Cooperation Agreement were not enforceable obligations and denied a \$230,250 scheduled payment towards the outstanding advances balance. This determination was objected to by the City and reviewed through the "Meet and Confer" process with the DOF. The DOF maintained its position that the advances were not an enforceable obligation for reasons that were unclear. The City does not intend to file suit to challenge the determination that the \$1,284,945

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, Continued

Advances To/From Other Funds, Continued

balance due to the City cannot be repaid through the current ROPS process. The balance however can be repaid pursuant to Health and Safety Code 34191.4 in which repayment cannot be made until the City receives its "Notice of Final Completion" and payment is approved through a future ROPS approval process. Repayment will be limited to increment amounts of increases in the Real Property Tax Trust Fund with interest accruing at a rate based on interest rates earned by funds deposited into the Local Agency Investment Fund. The law also provides that 20% of the repayment must be paid into the Housing Trust Fund. Accordingly, the City's general fund is expected to recover only \$1,027,956 or 80% of the portion of the advances balance under the Cooperation Agreement that was not repaid on ROPS I and \$256,989 will need to be remitted to the Housing Fund. The City recorded a due to other governments in fiscal year 2012 for \$256,989.

The DOF also determined that a \$2,985,862 advance from the City to the Successor Agency to pay enforceable obligations on ROPS I did not qualify as an enforceable obligation due to the fact the Successor Agency and the City had not entered into a separate and distinct loan document. In the "Meet and Confer" process the DOF stood by its determination but did indicate that the \$2,985,862 would qualify as an enforceable obligation pursuant to Health and Safety Code 34173(h) and could be placed on a subsequent ROPS if the City and Successor Agency entered into a formal loan agreement approved by the Oversight Board. As a result of the DOF's determination the City reversed the advances to the Successor Agency on its books and those advances are not reflected in the City's financial statements.

It is uncertain how the payment of \$4,166,993 during ROPS I and the additional payment of \$552,091 will be treated by the DOF. The City expects that the payments will be allowed to stand. While the DOF's determination that they were payments of an enforceable obligations does not bind it on future ROPS, the City believes the DOF is so bond with respect to the payments on ROPS I that it had approved. However, the DOF's position is not expected to be known until it completes its review of the Non-Housing Due Diligence Review. The DOF could also conceivably require the City to recalculate the interest rate applied to the advances made to the former RDA under the 1993 Cooperation Agreement. This recalculation could substantially change the amount owed to the City under that Agreement. The City has estimated that the maximum amount that could be requested to be returned to the Successor Agency be \$2,475,434 if the interest rates are recalculated from 1993 at the Local Agency Investment Fund rate rather than at 9.75%.

While it cannot be determined with certainty how the Redevelopment Agency dissolution process will conclude, the City along with the City Attorney feel that City's financial statements reflect the most likely outcome. See Note 14 for additional information regarding the dissolution of the Redevelopment Agency.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, Continued

Transfers - At June 30, 2012, the City had the following transfers in/out:

Transfers Out	Transfers In		Total	
	Governmental Funds	Proprietary Funds		
	General Fund	Internal Service Funds		
Governmental Funds:				
Retirement Special Revenue Fund	\$ 4,680,085	\$ 855,237	\$ 5,535,322	(D)
Non Major Governmental Funds	600,000	-	600,000	(E)
Proprietary Funds:				
Internal Service Funds	35,000	-	35,000	(F)
Total	\$ 5,315,085	\$ 855,237	\$ 6,170,322	

(D) To provide funding for retirement costs.

(E) To provide funding for gas tax qualified expenditures.

(F) To provide funding related to fire engine acquisition.

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Prior Period Adjustment	Balance July 1, 2011 as restated	Additions	Deletions	Balance June 30, 2012
Capital assets being depreciated:						
Building and improvements	\$10,598,044	\$ -	\$10,598,044	\$ 1,577,216	-	\$12,175,260
Machinery and equipment	8,462,474	-	8,462,474	548,335	(280,978)	8,729,831
Infrastructure	73,008,361	-	73,008,361	2,269,973	-	75,278,334
Total cost of depreciable assets	92,068,879	-	92,068,879	4,395,524	(280,978)	96,183,425
Accumulated depreciation:						
Building and improvements	3,614,799	-	3,614,799	293,438	-	3,908,237
Machinery and equipment	5,958,005	-	5,958,005	537,272	(257,792)	6,237,485
Infrastructure	50,535,560	-	50,535,559	1,681,152	-	52,216,711
Total accumulated depreciation	60,108,364	-	60,108,363	2,511,862	(257,792)	62,362,433
Total depreciated assets, net	31,960,515	-	31,960,516	1,883,662	(23,186)	33,820,992
Capital assets not depreciated:						
Land	7,193,699	(1,500,000)	5,693,699	-	-	5,693,699
Construction in progress	220,786	167,893	388,679	870,316	-	1,258,995
Total cost of non depreciable assets	7,414,485	(1,332,107)	6,082,378	870,316	-	6,952,694
Total capital assets, net	\$39,375,000	\$ (1,332,107)	\$38,042,894	\$ 2,753,978	\$ (23,186)	\$40,773,686

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

4. CAPITAL ASSETS, Continued

Depreciation expense was charged to the following functions in the Statement of Activities:

General government	\$ 92,893
Public safety	430,673
Transportation	994,191
Community development	792,291
Culture and recreation	201,814
Total	<u>\$ 2,511,862</u>

5. LONG-TERM DEBT

Changes in long-term liabilities during the year ended June 30, 2012 were as follows:

	Balance			Balance June 30, 2012	Classification	
	July 1, 2011	Additions	Deletions		Due within One Year	Due in more than One Year
Compensated absences	\$ 2,086,237	\$ 1,820,315	\$ (1,415,968)	\$ 2,490,584	\$ 747,175	\$ 1,743,409
OPEB liabilities	4,243,984	2,238,833	(871,000)	5,611,817	-	5,611,817
Claims payable	2,059,113	3,278,916	(2,355,068)	2,982,961	894,888	2,088,073
	<u>\$ 8,389,334</u>	<u>\$ 7,338,064</u>	<u>\$ (4,642,036)</u>	<u>\$ 11,085,362</u>	<u>\$ 1,642,063</u>	<u>\$ 9,443,299</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1G. This liability, amounting to \$2,490,584 at June 30, 2012, is expected to be paid in future years from future resources and is typically liquidated from the General Fund.

Other Post Employment Benefit Liabilities

The amount of net other post employment benefits liabilities at June 30, 2012 was \$5,611,817. See Note 9 for details.

Claims Payable/Self Insurance

A. Description of Self Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of approximately 120 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. Authority financial statements can be obtained from CJPIA at 8081 Moody Street, La Palma, California 90623.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

B. Self-insurance Programs of the Authority

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation - The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

C. Purchased Insurance

Property Insurance - The City of San Gabriel participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of San Gabriel property is currently insured according to a schedule of covered property submitted by the City of San Gabriel to the Authority. The City of San Gabriel currently has all-risk property insurance protection in the amount of \$22,194,648. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. Additionally, there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. Activity pertaining to the City's insurance programs in handled through the Self Insurance Internal Service Fund.

Reconciliation of the changes in the City's aggregate liabilities for the years ended June 30, 2012 and 2011 is as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
<u>2012</u>				
Liability Claims	\$ 511,107	\$ 534,280	\$ 563,254	\$ 482,133
Workers' Compensation	1,548,006	2,744,636	1,791,814	2,500,828
	<u>\$ 2,059,113</u>	<u>\$ 3,278,916</u>	<u>\$ 2,355,068</u>	<u>\$ 2,982,961</u>
<u>2011</u>				
Liability Claims	\$ 159,455	\$ 1,293,263	\$ 941,611	\$ 511,107
Workers' Compensation	1,438,827	1,177,842	1,068,663	1,548,006
	<u>\$ 1,598,282</u>	<u>\$ 2,471,105</u>	<u>\$ 2,010,274</u>	<u>\$ 2,059,113</u>

6. FUND DEFICITS

At June 30, 2012, the following funds had deficit balances:

	Amount
Special Revenue Funds:	
Community Development Block Grant	\$ 148,230 (A)
Other Grants	653,926 (A)
AQMD	2,647 (A)
Office of Traffic Safety Grant	19,832 (A)

(A) The deficits will be paid back with future tax and grant revenues.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

7. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures for the year ended June 30, 2012 exceeded the appropriations of the following departments/funds:

	Budget	Actual	Variance	
General Fund:				
Human resources	\$ 568,691	\$ 642,861	\$ (74,170)	(A)
Neighborhood improvement	199,502	207,800	(8,298)	(B)
Economic development	165,600	1,678,820	(1,513,220)	(C)
Mission playhouse	905,476	926,445	(20,969)	(D)
CDBG:				
Culture and recreation	64,032	66,175	(2,143)	(E)
Redevelopment Fund:				
Community development	307,707	577,803	(270,096)	(F)
Special Revenue Funds:				
Parks and Recreation Activity Fund	181,302	203,089	(21,787)	(G)
Office of Traffic Safety Grant Fund	103,000	127,317	(24,317)	(H)

- (A) Human resources department was a new budget category in FY12 and there was no budgeted amount for unexpected legal issues related to labor negotiations.
- (B) Full time employee's salaries exceeded budgeted amounts.
- (C) Increase in expense related to potential amount of over accrued interest earned on the advances from the general fund to the former RDA that was unknown at the time the budget was prepared.
- (D) Part time employee's salaries exceeded budgeted amounts.
- (E) Full time employee's salaries and related benefits exceeded budgeted amounts.
- (F) Interest expense was not budgeted for but there was actual expenditure.
- (G) There was an increase in recreation classes offered in FY12 from prior years.
- (H) There was an increase in grant expenditures for an unknown grant at the time the budget was prepared.

8. DEFINED BENEFIT PENSION PLAN (PERS)

Plan Description

The City of San Gabriel contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained by writing to 400 "P" Street, Sacramento, California 95814.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

8. DEFINED BENEFIT PENSION PLAN (PERS), Continued

Contributions

Miscellaneous and safety participants are required to contribute 8% and 9%, respectively, of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The City's covered payroll for PERS was \$16,914,460 for the year ended June 30, 2012, while the City's total payroll for all employees was \$17,868,321 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

Three-Year Trend Information

Annual Pension Cost (Safety)			
Fiscal year	Employer	Employer	Percentage
	Contribution		
	Rate		Contributed
6/30/2010	28.989%	\$ 2,616,086	100.000%
6/30/2011	29.879%	2,665,267	100.000%
6/30/2012	34.695%	3,842,417	100.000%

Annual Pension Cost (Miscellaneous)			
Fiscal year	Employer	Employer	Percentage
	Contribution		
	Rate		Contributed
6/30/2010	18.336%	\$ 1,124,001	100.000%
6/30/2011	18.136%	1,132,998	100.000%
6/30/2012	20.722%	1,828,686	100.000%

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. OTHER POST EMPLOYEE BENEFITS (“OPEB”)

Description of Plan

The City contracts with the California Public Employees' Retirement System to provide Post-Retirement Health benefits. There As an agent multi-employer postemployment benefit plan, the City pays \$150 per month towards health insurance premiums for employees who retired before July 1, 2003. The amount the City pays for employees who retire after July 1, 2003 is varies based on years of service. The exact amount is calculated based on CalPERS vesting schedule (\$22893) The schedule is adjusted annually based on the 100%/90%, employee/dependent, formula as provided in Section 22825.1 of the Public Employees' Medical and Hospital Act and for the fiscal year ending June 30, 2012. The schedule is displayed as follows:

Years of PERS Service	1 Party	2 Party	3 + Party	% of Employer Contribution
Less than 10	\$ -	\$ -	\$ -	0%
10	283.00	537.00	691.00	50%
11	311.30	590.70	760.10	55%
12	339.60	644.40	829.20	60%
13	367.90	698.10	898.30	65%
14	396.20	751.80	967.40	70%
15	424.50	805.50	1,036.50	75%
16	452.80	859.20	1,105.60	80%
17	481.10	912.90	1,174.70	85%
18	509.40	966.60	1,243.80	90%
19	537.70	1,020.30	1,312.90	95%
20 or more	566.00	1,074.00	1,382.00	100%

Funding Policy and Contribution Rules

The funding policy of the City with respect to its OPEB obligation is to irrevocably place into a trust used solely for the payment of the City’s OPEB benefits an annual amount that is approved by the City Council and consistent with the City's budgetary objectives for that fiscal year. The amount of \$333,840 was placed in trust is in addition to the contributions paid by the City on behalf of its current retirees in the form of benefit payments in the amount of \$537,160 for the year ended June 30, 2012. The OPEB trust used by the City is administered by CalPERS. Trust financial statements can be obtained from CalPERS at P.O. Box 942703, Sacramento, CA 94229-2703.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). An amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. OTHER POST EMPLOYEE BENEFITS (“OPEB”), Continued

Annual required contribution	\$ 2,200,530
Interest on net OPEB obligation	292,835
Adjustment to annual required contribution	<u>(254,532)</u>
Annual OPEB cost (expense)	2,238,833
Contributions made (including premiums paid)	<u>(871,000)</u>
Increase in net OPEB obligation	1,367,833
Net OPEB obligation - beginning of year	<u>4,243,984</u>
Net OPEB obligation - end of year	<u><u>\$ 5,611,817</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

Fiscal year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2010	\$ 1,929,000	30.043%	\$ 2,775,461
6/30/2011	2,142,523	31.458%	4,243,984
6/30/2012	2,238,833	38.904%	5,611,817

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Rate amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. OTHER POST EMPLOYEE BENEFITS (“OPEB”), Continued

Actuarial Assumptions

June 30, 2011 Valuation

- Measurement Date • June 30, 2011
- Inflation Rate • 3% per year
- Payroll Increase • 3.25% per year
- Asset Return • 7.61% per year; assumes the City invests in the CERBT asset allocation Strategy 1.
- Discount Rate • Initial 20 year Graded 4.50% to 7.61% per annum. This discount rate assumes the City pre-funds its annual required contribution within CERBT. The assumed funding percent is based on 5% of the difference between the ARC and the City’s direct payment for benefits accumulated over a 20 year period (17 years remaining).

Healthcare Rate	Trend	Fiscal year	PPO	HMO
		2013	7.5%	7.0%
		2014	7.0%	6.5%
		2015	6.5%	6.0%
		2016	6.0%	5.5%
		2017	5.5%	5.0%
		2018 +	5.0%	5.0%

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. OTHER POST EMPLOYEE BENEFITS (“OPEB”), Continued

Actuarial Method

- Actuarial Cost Method
- The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay related plans the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the City were included in the valuation.

- Actuarial Value of Assets
- Amortization of UAAL
- Any GASB eligible assets of the plan will be valued on a market value basis.
- The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage of pay method on a closed basis. The remaining period at July 1, 2011 is assumed to be 27 years.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. OTHER POST EMPLOYEE BENEFITS (“OPEB”), Continued

Annual Required Contribution (ARC)
20-year Graded 4.50% to 7.61%
2011/12 and 2012/13 Fiscal Years

	<u>FY2011/2012</u>	<u>FY2012/2013</u>
• ARC - \$		
○ Normal Cost	\$971,464	\$1,038,495
○ UAAL Amortization	<u>1,229,066</u>	<u>1,269,011</u>
• Total ARC	\$2,200,530	\$2,307,506
• Projected Payroll	\$12,712,000	\$13,125,000
• ARC - %	17%	18%
• Est. City Funding Contribution	\$871,000	\$1,035,000
• Funding Differential (ARC less City Contribution) %	20%	25%

Discount Rate \$ Amortization Period Sensitivity
20-year Graded 4.50% to 7.61%
2011/12 and 2012/13 Fiscal Years

The impact of a 1% decrease or increase in the discount (interest) rate and the impact of a 1% increase in future healthcare trend rates on the City’s actuarial liability, actuarial accrued liability, unfunded actuarial accrued liability and the annual required contribution is provided below:

	<u>Dollar (\$)</u>	<u>Percentage (%)</u>
1% Decrease in Discount Rate		
- Actuarial Liability	\$ 6,330,977	22%
- Actuarial Accrued Liability	3,628,143	17%
- Unfunded Actuarial Accrued Liability	3,628,143	18%
- Annual Required Contribution	327,429	15%
1% Increase in Discount Rate		
- Actuarial Liability	\$ (4,795,674)	-17%
- Actuarial Accrued Liability	(2,910,255)	-14%
- Unfunded Actuarial Accrued Liability	(2,910,255)	-14%
- Annual Required Contribution	(255,150)	-12%

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

9. OTHER POST EMPLOYEE BENEFITS (“OPEB”), Continued

	Dollar (\$) Increase	Percentage (%) Increase
1% Increase in Future Healthcare Trend Rates		
- Actuarial Liability	\$ 6,018,432	21%
- Actuarial Accrued Liability	3,956,834	19%
- Unfunded Actuarial Accrued Liability	3,956,834	19%
- Annual Required Contribution	492,577	22%

20-year Phase In Pre-Funding Progress
20-year Graded 4.50% to 7.61% Discount Rate, 30-Year Amortization

FYE July 1,	Beginning of Year Net OPEB Obligation	Contribution	Annual OPEB Cost (AOC)	Projected Payroll	Contribution as % of Payroll
2011	\$ 4,243,984	\$ 871,000	\$ 2,238,833	\$ 12,712,000	6.9%
2012	5,611,817	1,035,000	2,440,000	13,125,000	7.9%
2013	7,017,000	1,207,000	2,612,000	13,552,000	8.9%
2014	8,422,000	1,377,000	2,787,000	13,992,000	9.8%
2015	9,832,000	1,557,000	2,964,000	14,447,000	10.8%
2016	11,239,000	1,735,000	3,143,000	14,916,000	11.6%
2017	12,647,000	1,919,000	3,326,000	15,401,000	12.5%
2018	14,054,000	2,098,000	3,511,000	15,902,000	13.2%
2019	15,467,000	2,280,000	3,699,000	16,419,000	13.9%
2020	16,886,000	2,463,000	3,891,000	16,952,000	14.5%

SCHEDULE OF FUNDING PROGRESS
Required Supplementary Information

The funding progress of the plan as of the date of the most recent actuarial valuation is follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A) (C)	Funded Ratio (A/B) (D)	Covered Payroll (E)	Unfunded Actuarial Liability as a Percentage of Covered Payroll (C/E) (F)
6/30/2011	\$ 787,501	\$ 21,280,525	\$ 20,493,024	4%	\$ 12,712,000	161%

*Based on the latest actuarial valuation available.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

10. CONTINGENCIES

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City.

The City annually imposes a special tax for payment of PERS retirement costs for City employees. This tax, approved by the voters prior to the passage of Proposition 13, is not subject to the limitations of that enactment. An Appellate Court ruled that the City of Huntington Beach could not levy and use its voter approved retirement tax to pay for retirement plan enhancements that had been added after the date of voter approval. The City of San Gabriel currently levies and uses its tax to pay for subsequently added retirement benefits. After reviewing the decision and the text of San Gabriel's voter approved initiative, the City Attorney has concluded that the measure approved by San Gabriel's voters does authorize the City to levy and use the tax to pay for subsequently added benefits and have advised the City that it may continue to do so. The City has potential exposure to litigation over this issue. However, due to tax claim procedures enacted by City Ordinance No. 516, if a challenge were successfully mounted, the City Attorney believes that any significant impact would be prospective in nature.

The San Gabriel Police Officers' Association filed a lawsuit against the City on March 8, 2012, in the Northeast District of the Los Angeles County Superior Court. They allege that since at least fiscal year 2000-2001, and possibly before that time, the City unlawfully diverted special tax revenue of at least \$5,714,280 from the City's Retirement Fund towards purposes not specified in enactment of the special tax, Ordinance No. 540, and that the diverted monies have been used to fund numerous benefits for the City staff personnel, including deferred compensation accounts and retiree medical accounts. The attorneys for the City have determined that the likelihood of an unfavorable outcome is remote.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

11. CONSTRUCTION COMMITMENTS

The following material construction commitments existed at June 30, 2012:

Project Name	Expenditures as of June 30, 2012	Remaining Commitments
Public Works Yard	\$ 102,950	\$ 4,676,264
Marshall Community Park	82,327	4,603,167
Mission Road 20A Underground I	-	1,940,000
San Gabriel & Mission Intersection Imp.	28,616	1,602,668
SG Las Tunas & Broadway Intersection Imp.	28,504	1,601,234
Mission Road 20A Underground II	-	1,250,000
Broadway/Walnut Grove Intersection Imp.	15,935	1,189,276
Police Facility	688,133	1,140,942
San Gabriel blvd & Las Tunas Intersection	-	776,550
San Gabriel Bl. Streetscape Imp	1,099,567	638,134
Fairview Rehab and Median	14,210	622,177
Del Mar Bridge & Street Widening	-	611,770
Fairview Rehab - Abbott to Circle	-	553,772
Storm Drain Master Plan	-	500,000
Las Tunas Streetscape Enhancement	689	462,484
Las Tunas Rehab. SG-Muscatel	50,767	301,343
Local Street Maintenance	340,277	271,730
Great Streets Program	1,333,305	262,356
Zoning Ordinance/General Plan Update	-	247,335
Traffic Video Detection Cameras	17,626	221,221
Del Mar Ave/Alhambra Wash Bridge Replace	-	180,000
Pedestrian Bridge to Vincent Lugo Park	-	160,000
Citywide Bridge Repair	33,892	144,093
Del Mar Rehab Wells-Mission	-	113,540
City Wide Bus Shelters and Pads	13,548	78,452

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

12. OPERATING LEASES

During the year ended June 30, 2012, the City entered into several operating leases for certain office equipment. The leases provide for monthly payments, commencement date, maturity date, and payments are as follows:

	Monthly Payments	Commencing Date	Maturity Date
Copier / Printer - Police Department	\$ 970	February 2010	January 2013
Copier / Printer - Fire Department	237	May 2010	April 2015

Minimum future rental payments under the operating leases are as follows:

Fiscal year	Annual Payments
2013	\$ 9,634
2014	2,844
2015	2,370

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

13. CLASSIFICATION OF FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2012, is as follows:

	General Fund	Retirement	Proposition C Local Return	Community Development Block Grant
Nonspendable				
Petty cash	\$ 3,450	\$ -	\$ -	\$ -
Prepaid items	2,640	-	-	-
Advance to San Gabriel Redevelopment Agency	1,284,945	-	-	-
Total nonspendable	1,291,035	-	-	-
Restricted				
Culture and recreation	21,907	-	-	-
Public safety	-	-	-	-
Retirement benefits	-	1,194,325	-	-
Sewer service	-	-	-	-
Street improvements	-	-	-	-
Transit service	-	-	2,009,600	-
Waste management programs	-	-	-	-
Total Restricted	21,907	1,194,325	2,009,600	-
Committed				
Police facility	5,163,616	-	-	-
Public safety	47,920	-	-	-
Public works yard	411,759	-	-	-
Street improvements	213,231	-	-	-
Total Committed	5,836,526	-	-	-
Assigned	-	-	-	-
Unassigned	1,140,249	-	-	(148,230)
Total Fund balance	\$ 8,289,717	\$ 1,194,325	\$ 2,009,600	\$ (148,230)

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

13. CLASSIFICATION OF FUND BALANCES, Continued

	Other Grants Fund	Low and Moderate Income Housing	Redevelopment	Non-Major Governmental Funds	Totals
Nonspendable					
Petty cash	\$ -	\$ -	\$ -	\$ -	\$ 3,450
Prepaid items	-	-	-	-	2,640
Advance to San Gabriel Redevelopment Agency	-	-	-	-	1,284,945
Total nonspendable	-	-	-	-	1,291,035
Restricted					
Culture and recreation	-	-	-	592,528	614,435
Public safety	-	-	-	968,936	968,936
Retirement benefits	-	-	-	-	1,194,325
Sewer service	-	-	-	319,551	319,551
Street improvements	-	-	-	1,956,980	1,956,980
Transit service	-	-	-	2,150,375	4,159,975
Waste management programs	-	-	-	1,892,603	1,892,603
Total Restricted	-	-	-	7,880,973	11,106,805
Committed					
Police facility	-	-	-	-	5,163,616
Public safety	-	-	-	-	47,920
Public works yard	-	-	-	-	411,759
Street improvements	-	-	-	-	213,231
Total Committed	-	-	-	-	5,836,526
Assigned	-	-	-	-	-
Unassigned	(653,926)	-	-	(22,479)	315,614
Total Fund balance	\$ (653,926)	\$ -	\$ -	\$ 7,858,494	\$ 18,549,980

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

14. EXTRAORDINARY ITEM

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of San Gabriel that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On February 1, 2012 the City Council of the City of San Gabriel elected to become the Successor Agency for the former Redevelopment Agency (RDA) in accordance with the Bill as part of City Resolution No. 12-03. The City Council also elected to transfer the housing assets and functions previously performed by the RDA to the Los Angeles County Housing Authority on February 21, 2012 in accordance with the Bill as part if City resolution No. 12-04, however as of June 30, 2012 the housing assets and functions were being held and performed by the successor agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former RDA due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The city's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by the appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the RDA continued to be reported in the governmental funds of the City as the Low and Moderate Income Housing Fund and the Redevelopment Fund. After the date of dissolution, the assets and activities of the dissolved RDA are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

City of San Gabriel
Notes to Basic Financial Statements
For the year ended June 30, 2012

14. EXTRAORDINARY ITEM, Continued

The transfer of the assets and liabilities of the former RDA as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported as an extraordinary gain in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund financial statements as an extraordinary loss.

15. PRIOR PERIOD ADJUSTMENT

The beginning net assets as of July 1, 2011 have been restated to adjust the capital asset balance to reflect the removal of \$1,500,000 of land that was also recorded as property held for resale and the addition of \$167,893 of construction in progress that was previously expensed. The adjustment is shown in the following table:

	Government-wide Net Assets
Beginning July 1, 2011	\$ 56,220,057
Prior period adjustment	(1,332,107)
Beginning July 1, 2011 as restated	<u>\$ 54,887,950</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through February 27, 2013, the date the basic financial statements were available to be issued. There were no subsequent events that required an adjustment to, or disclosure in the basic financial statements as of the year ended June 30, 2012.

**REQUIRED SUPPLEMENTARY
INFORMATION
(Unaudited)**

City of San Gabriel
Required Supplementary Information (Unaudited)
For the year ended June 30, 2012

1. BUDGETARY INFORMATION

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying basic financial statements:

- The annual budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them. Budgeted remaining appropriations lapse at the end of the fiscal year.
- The City Council approves total budgeted appropriations and amendments to appropriations throughout the year. The City Council must approve budget appropriation transfers between departments within a fund. The departments of the General Fund are considered to be departments for purposes of this requirement. Actual expenditures may not legally exceed budgeted appropriations at the fund level.
- Annual budgets are adopted for all Governmental Fund Types on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP).
- Formal budgetary information is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year end, lapse and then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance – Budget and Actual:
General Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Taxes	\$ 13,505,000	\$ 13,950,000	\$ 13,865,206	\$ (84,794)	\$ 13,563,670
Intergovernmental	3,975,000	4,581,000	4,389,902	(191,098)	4,380,567
Charges for services	2,293,000	2,213,000	2,143,029	(69,971)	2,349,917
Fines and forfeitures	1,076,500	1,146,000	1,099,215	(46,785)	1,121,834
Licenses and permits	1,733,000	1,655,000	1,721,882	66,882	1,682,928
Investment income	1,319,270	1,117,470	1,128,030	10,560	1,082,476
Other	79,520	102,870	195,915	93,045	1,130,805
Total revenues	23,981,290	24,765,340	24,543,179	(222,161)	25,312,197
EXPENDITURES:					
General government:					
City Council	317,583	317,583	268,087	49,496	226,981
City Clerk	286,847	286,847	239,588	47,259	161,348
City Treasurer	119,447	117,947	105,972	11,975	115,062
City Manager	456,035	486,594	476,484	10,110	591,137
City Attorney	183,711	200,265	189,249	11,016	191,766
Finance	954,651	960,186	953,119	7,067	931,978
Information technology	129,951	129,951	100,509	29,442	107,664
Human resources	568,691	568,691	642,861	(74,170)	497,232
Purchasing	166,028	166,028	151,131	14,897	204,236
General services	2,341,599	2,347,794	2,294,220	53,574	2,979,431
Public information	69,805	69,805	55,261	14,544	98,927
Disaster preparedness	3,000	6,000	115	5,885	24,020
Total general government	5,597,348	5,657,691	5,476,596	181,095	6,129,782
Public safety:					
Police	12,147,189	12,147,189	10,802,594	1,344,595	10,579,871
Fire	6,692,520	6,698,209	6,459,509	238,700	6,132,539
Total public safety	18,839,709	18,845,398	17,262,103	1,583,295	16,712,410

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance – Budget and Actual:
General Fund, Continued

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES:					
Community development:					
Development services	2,052,206	2,081,485	1,953,445	128,040	1,670,479
Street services	1,550,224	1,550,224	1,508,599	41,625	1,360,852
Maintenance services	523,257	523,257	518,393	4,864	486,876
Neighborhood improvement	199,502	199,502	207,800	(8,298)	190,897
Economic development	165,600	165,600	1,678,820	(1,513,220)	89,887
Total community development	4,490,789	4,520,068	5,867,057	(1,346,989)	3,798,991
Culture and recreation:					
Mission playhouse	905,476	905,476	926,445	(20,969)	887,377
Park maintenance	836,810	836,810	835,485	1,325	767,871
Swimming pool	223,535	223,535	199,920	23,615	202,871
Facilities maintenance	155,176	155,176	142,776	12,400	145,420
Recreation	688,365	689,277	619,393	69,884	618,212
Total culture and recreation	2,809,362	2,810,274	2,724,019	86,255	2,621,751
Capital outlay	129,966	9,535,434	1,421,666	8,113,768	1,656,930
Total expenditures	31,867,174	41,368,865	32,751,441	8,617,424	30,919,864
REVENUES OVER (UNDER) EXPENDITURES	(7,885,884)	(16,603,525)	(8,208,262)	(8,839,585)	(5,607,667)
OTHER FINANCING SOURCES (USES):					
Transfer in	6,057,389	6,526,543	5,315,085	(1,211,458)	5,796,245
Transfer out	(129,966)	-	-	-	(166,505)
Total other financing sources (uses)	5,927,423	6,526,543	5,315,085	(1,211,458)	5,629,740
Net change in fund balances	(1,958,461)	(10,076,982)	(2,893,177)	(10,051,043)	22,073
FUND BALANCES					
Beginning of year	-	11,182,894	11,182,894	-	11,160,821
End of year	\$ (1,958,461)	\$ 1,105,912	\$ 8,289,717	\$ (10,051,043)	\$ 11,182,894

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance – Budget and Actual:
Retirement Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Taxes	\$ 5,460,000	\$ 5,300,000	\$ 5,366,747	\$ 66,747	\$ 5,193,570
Investment income	110,000	50,000	56,071	6,071	100,565
Total revenues	5,570,000	5,350,000	5,422,818	72,818	5,294,135
OTHER FINANCING SOURCES (USES):					
Transfer out	(6,304,389)	(6,304,389)	(5,535,322)	769,067	(5,870,245)
Total other financing sources (uses)	(6,304,389)	(6,304,389)	(5,535,322)	769,067	(5,870,245)
Net change in fund balances	(734,389)	(954,389)	(112,504)	841,885	(576,110)
FUND BALANCES					
Beginning of year	-	1,306,829	1,306,829	-	1,882,939
End of year	\$ (734,389)	\$ 352,440	\$ 1,194,325	\$ 841,885	\$ 1,306,829

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance – Budget and Actual:
Proposition C Local Return Fund

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Actual
	Original	Final			
REVENUES:					
Intergovernmental	\$ 460,000	\$ 425,000	\$ 521,469	\$ 96,469	\$ 480,851
Investment income	64,000	40,000	34,126	(5,874)	59,030
Total revenues	524,000	465,000	555,595	90,595	539,881
EXPENDITURES:					
Current					
Transportation	705,564	705,564	567,761	137,803	601,762
Capital outlay	-	1,967,894	5,700	1,962,194	-
Total expenditures	705,564	2,673,458	573,461	2,099,997	601,762
REVENUES OVER (UNDER) EXPENDITURES	(181,564)	(2,208,458)	(17,866)	(2,009,402)	(61,881)
FUND BALANCES					
Beginning of year	-	2,027,466	2,027,466	-	2,089,347
End of year	\$ (181,564)	\$ (180,992)	\$ 2,009,600	\$ 2,190,592	\$ 2,027,466

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance - Budget and Actual:
Community Development Block Grant Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental	\$ 870,228	\$ 1,355,640	\$ 566,684	\$ (788,956)	\$ 804,862
Total revenues	870,228	1,355,640	566,684	(788,956)	804,862
EXPENDITURES:					
Current					
Community development	282,065	282,880	250,111	32,769	111,130
Culture and recreation	64,032	64,032	66,175	(2,143)	69,980
Capital outlay	524,131	1,008,728	398,628	610,100	623,752
Total expenditures	870,228	1,355,640	714,914	640,726	804,862
REVENUES OVER (UNDER) EXPENDITURES	-	-	(148,230)	(1,429,682)	-
FUND BALANCES					
Beginning of year	-	-	-	-	-
End of year	\$ -	\$ -	\$ (148,230)	\$ (148,230)	\$ -

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance – Budget and Actual:
Other Grants Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental	\$ 8,869,452	\$ 11,276,242	\$ 1,229,525	\$(10,046,717)	\$ 873,228
Total revenues	8,869,452	11,276,242	1,229,525	(10,046,717)	873,228
EXPENDITURES:					
Current					
Community development	-	-	-	-	27,446
Capital outlay	8,869,452	11,155,762	1,708,285	9,447,477	1,017,849
Total expenditures	8,869,452	11,155,762	1,708,285	9,447,477	1,045,295
REVENUES OVER (UNDER) EXPENDITURES	-	120,480	(478,760)	(19,494,194)	(172,067)
FUND BALANCES					
Beginning of year	-	(175,166)	(175,166)	-	(3,099)
End of year	\$ -	\$ (54,686)	\$ (653,926)	\$ (599,240)	\$ (175,166)

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Schedule of Revenues, Expenditures and Changes in fund balance – Budget and Actual:
Low and Moderate Income Housing Fund

	2012			Variance with Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Taxes	\$ 300,000	\$ 100,000	\$ 95,063	\$ (4,937)	\$ 242,936
Investment income	50,000	30,000	35,564	5,564	49,622
Other	3,472	-	-	-	700,000
Total revenues	353,472	130,000	130,627	627	992,558
EXPENDITURES:					
Current					
Community Development	264,244	50,672	50,331	341	101,130
Capital outlay	-	-	-	-	1,668,900
Total expenditures	264,244	50,672	50,331	341	1,770,030
REVENUES OVER (UNDER) EXPENDITURES	89,228	79,328	80,296	286	(777,472)
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	-	-	16,763
Transfer out	(191,100)	(191,100)	-	191,100	-
Total other financing sources (uses)	(191,100)	(191,100)	-	191,100	16,763
Change in Fund Balance Before Extraordinary Item	(101,872)	(111,772)	80,296	192,068	(760,709)
Extraordinary Item	-	-	(289,183)	(289,183)	-
Net change in fund balances	(101,872)	(111,772)	(208,887)	(97,115)	(760,709)
FUND BALANCES					
Beginning of year	-	208,887	208,887	-	969,596
End of year	\$ (101,872)	\$ 97,115	\$ -	\$ (97,115)	\$ 208,887

City of San Gabriel
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2012

2. OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS

Required Supplementary Information

The funding progress of the plan as of the date of the most recent actuarial valuation is follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A) (C)	Funded Ratio (A/B) (D)	Covered Payroll (E)	Unfunded Actuarial Liability as a Percentage of Covered Payroll (C/E) (F)
6/30/2011	\$ 787,501	\$ 21,280,525	\$ 20,493,024	4%	\$ 12,712,000	161%

*Based on the latest actuarial valuation available.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

The following Special Revenue Funds have been classified as non-major funds:

Special Gas Tax Fund

To account for the City's share of state and county gasoline tax allocation. These funds are expended on street maintenance and construction.

Proposition A Local Return Fund

To account for the City's share of the half-cent sales tax. These funds are used for local transit.

Citizens Option for Public Safety Fund

To account for the revenues received from the California Department of Justice to be used to enhance existing law enforcement services.

Traffic Congestion Relief Fund

To account for the revenues and expenditures for the City's street or road maintenance or reconstruction pursuant to AB2928.

Parks and Recreation Activity Fund

To account for revenues and expenditures for the City's recreation programs provided through contract services.

Mission Playhouse/Facility Fund

To account for a portion of the monies paid by the facility clients and to assure that they are set aside for capital and facility maintenance and improvements to the Mission Playhouse.

Local Law Enforcement Block Grant Fund

To account for the revenues received from the U.S. Department of Justice to be used for local public safety enhancements.

Air Quality Management District Fund

To account for revenues received from the Air Quality Management District for the improvement of air quality.

NON-MAJOR GOVERNMENTAL FUNDS

Narcotic Seizure Fund

To account for revenues seized by the Police Department during narcotics investigations.

Waste Management Fund

To account for the collection of a waste surcharge from consumers to finance waste management programs.

Development Impact Fees Fund

To account for the collection of fees from developers. These funds are used for public facility improvements.

Street Light Fund

To account for fees collected from new developments. These funds are used for the construction of street lights in certain areas of the City.

Office of Traffic Safety Grant Fund

To account for the revenues from the California Office of Traffic Safety to be used towards a comprehensive traffic safety program.

Measure R

To account for the City's share of the half-cent sales tax for Los Angeles County. These funds are used for traffic relief and transportation upgrades.

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City of San Gabriel
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	State Gas Tax	Proposition A Local Return	Citizen Option for Public Safety	Traffic Congestion Relief	Parks and Recreation Activity
ASSETS					
Cash and investments	\$ 1,651,433	\$ 626,289	\$ 146,921	\$ 138,623	\$ 144,223
Account receivables	-	500	-	-	14,508
Due from other governments	121,220	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 1,772,653	\$ 626,789	\$ 146,921	\$ 138,623	\$ 158,731
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 27,054	\$ 1,928	\$ -	\$ 138,623	\$ 4,865
Accrued liabilities	-	-	3,583	-	1,553
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	27,054	1,928	3,583	138,623	6,418
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,745,599	624,861	143,338	-	152,313
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	1,745,599	624,861	143,338	-	152,313
Total liabilities and fund balances	\$ 1,772,653	\$ 626,789	\$ 146,921	\$ 138,623	\$ 158,731

Mission Playhouse/ Facility	Local Law Enforcement Block Grant	Air Quality Management District	Narcotic Seizure	Waste Management	Development Impact Fees	Street Light
\$ 102,065	\$ -	\$ -	\$ 453,873	\$ 1,832,970	\$ 1,511,352	\$ 211,381
-	-	-	-	60,133	-	-
-	-	12,337	20,608	-	-	-
-	-	-	-	-	-	-
<u>\$ 102,065</u>	<u>\$ -</u>	<u>\$ 12,337</u>	<u>\$ 474,481</u>	<u>\$ 1,893,103</u>	<u>\$ 1,511,352</u>	<u>\$ 211,381</u>
\$ 1,853	\$ -	\$ 9,991	\$ -	\$ 500	\$ 21,784	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,993	-	-	-	-
<u>1,853</u>	<u>-</u>	<u>14,984</u>	<u>-</u>	<u>500</u>	<u>21,784</u>	<u>-</u>
-	-	-	-	-	-	-
100,212	-	-	474,481	1,892,603	1,489,568	211,381
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(2,647)	-	-	-	-
<u>100,212</u>	<u>-</u>	<u>(2,647)</u>	<u>474,481</u>	<u>1,892,603</u>	<u>1,489,568</u>	<u>211,381</u>
<u>\$ 102,065</u>	<u>\$ -</u>	<u>\$ 12,337</u>	<u>\$ 474,481</u>	<u>\$ 1,893,103</u>	<u>\$ 1,511,352</u>	<u>\$ 211,381</u>

(Continued)

City of San Gabriel
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Office of Traffic		2012	2011
	Safety Grant	Measure R		
ASSETS				
Cash and investments	\$ -	\$ 1,009,856	\$ 7,828,986	\$ 7,207,226
Account receivables	-	-	75,141	101,757
Due from other governments	41,530	38,118	233,813	88,245
Due from other funds	-	-	-	-
Total assets	\$ 41,530	\$ 1,047,974	\$ 8,137,940	\$ 7,397,228
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 61	\$ 1,357	\$ 208,016	\$ 97,019
Accrued liabilities	1,047	-	6,183	1,320
Deferred revenues	31,296	-	31,296	2,019
Due to other funds	28,958	-	33,951	54,343
Total liabilities	61,362	1,357	279,446	154,701
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	1,046,617	7,880,973	7,247,102
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(19,832)	-	(22,479)	(4,575)
Total fund balances	(19,832)	1,046,617	7,858,494	7,242,527
Total liabilities and fund balances	\$ 41,530	\$ 1,047,974	\$ 8,137,940	\$ 7,397,228

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City of San Gabriel
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2012

	State Gas Tax	Proposition A Local Return	Citizen Option for Public Safety	Traffic Congestion Relief	Parks and Recreation Activity
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,319,897	628,124	100,000	-	-
Charges for services	-	-	-	-	193,854
Investment income	30,319	10,398	2,380	7,118	-
Total revenues	1,350,216	638,522	102,380	7,118	193,854
EXPENDITURES:					
Current:					
Public safety	-	-	81,994	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	203,089
Transportation	-	27,648	-	-	-
Capital outlay	484,879	3,387	-	650,530	-
Total expenditures	484,879	31,035	81,994	650,530	203,089
REVENUES OVER (UNDER) EXPENDITURES	865,337	607,487	20,386	(643,412)	(9,235)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(600,000)	-	-	-	-
Total other financing sources (uses)	(600,000)	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	265,337	607,487	20,386	(643,412)	(9,235)
FUND BALANCES:					
Beginning of year	1,480,262	17,374	122,952	643,412	161,548
End of year	\$ 1,745,599	\$ 624,861	\$ 143,338	\$ -	\$ 152,313

Mission Playhouse/ Facility	Local Law Enforcement Block Grant	Air Quality Management District	Narcotic Seizure	Waste Management	Development Impact Fees	Street Light
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	49,976	44,420	-	-	6,337
49,621	-	-	-	519,384	389,554	-
-	-	115	7,251	-	19,202	-
49,621	-	50,091	51,671	519,384	408,756	6,337
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
87,383	-	49,991	928	706,053	247,685	40
87,383	-	49,991	928	706,053	247,685	40
(37,762)	-	100	50,743	(186,669)	161,071	6,297
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(37,762)	-	100	50,743	(186,669)	161,071	6,297
137,974	-	(2,747)	423,738	2,079,272	1,328,497	205,084
\$ 100,212	\$ -	\$ (2,647)	\$ 474,481	\$ 1,892,603	\$ 1,489,568	\$ 211,381

(Continued)

City of San Gabriel
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Office of Traffic Safety Grant	Measure R	2012	2011
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	109,313	388,231	2,646,298	3,184,873
Charges for services	-	-	1,152,413	31,889
Investment income	-	13,157	89,940	167,315
Total revenues	109,313	401,388	3,888,651	3,384,077
EXPENDITURES:				
Current:				
Public safety	127,317	-	209,311	210,448
Community development	-	-	-	-
Culture and recreation	-	-	203,089	181,088
Transportation	-	-	27,648	1,396,288
Capital outlay	-	1,760	2,232,636	1,045,024
Total expenditures	127,317	1,760	2,672,684	2,832,848
REVENUES OVER (UNDER) EXPENDITURES	(18,004)	399,628	1,215,967	551,229
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(600,000)	(600,000)
Total other financing sources (uses)	-	-	(600,000)	(600,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(18,004)	399,628	615,967	(48,771)
FUND BALANCES:				
Beginning of year	(1,828)	646,989	7,242,527	7,291,298
End of year	\$ (19,832)	\$ 1,046,617	\$ 7,858,494	\$ 7,242,527

(Concluded)

City of San Gabriel

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Special Gas Tax

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 1,123,000	\$ 1,319,897	\$ 196,897	\$ 999,774
Investment income	35,000	30,319	(4,681)	39,342
Total revenues	1,158,000	1,350,216	192,216	1,039,116
EXPENDITURES:				
Capital outlay	1,773,062	484,879	1,288,183	36,053
Total expenditures	1,773,062	484,879	1,288,183	36,053
REVENUES OVER (UNDER) EXPENDITURES	(615,062)	865,337	1,480,399	1,003,063
OTHER FINANCING SOURCES:				
Transfers out	(825,000)	(600,000)	225,000	(600,000)
Total other financing sources	(825,000)	(600,000)	225,000	(600,000)
Net change in fund balances	(1,440,062)	265,337	1,705,399	403,063
FUND BALANCES:				
Beginning of year	1,480,262	1,480,262	-	1,077,199
End of year	\$ 40,200	\$ 1,745,599	\$ 1,705,399	\$ 1,480,262

City of San Gabriel

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

Proposition A Local Return Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 625,000	\$ 628,124	\$ 3,124	\$ 579,251
Investment income	12,000	10,398	(1,602)	32,478
Total revenues	637,000	638,522	1,522	611,729
EXPENDITURES:				
Current:				
Transportation	40,000	27,648	12,352	1,396,288
Capital outlay	70,355	3,387	66,968	2,960
Total expenditures	110,355	31,035	79,320	1,399,248
REVENUES OVER (UNDER) EXPENDITURES	526,645	607,487	80,842	(787,519)
Net change in fund balances	526,645	607,487	80,842	(787,519)
FUND BALANCES:				
Beginning of year	17,374	17,374	-	804,893
End of year	\$ 544,019	\$ 624,861	\$ 80,842	\$ 17,374

City of San Gabriel

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

Citizens Option for Public Safety Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Investment income	2,000	2,380	380	2,450
Total revenues	102,000	102,380	380	102,450
EXPENDITURES:				
Current:				
Public safety	127,316	81,994	45,322	83,973
Total expenditures	127,316	81,994	45,322	83,973
REVENUES OVER (UNDER) EXPENDITURES	(25,316)	20,386	45,702	18,477
Net change in fund balances	(25,316)	20,386	45,702	18,477
FUND BALANCES:				
Beginning of year	122,952	122,952	-	104,475
End of year	\$ 97,636	\$ 143,338	\$ 45,702	\$ 122,952

City of San Gabriel

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

Traffic Congestion Relief Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Investment income	\$ 10,000	\$ 7,118	\$ (2,882)	\$ 21,319
Total revenues	10,000	7,118	(2,882)	21,319
EXPENDITURES:				
Capital outlay	736,627	650,530	86,097	160,985
Total expenditures	736,627	650,530	86,097	160,985
REVENUES OVER (UNDER) EXPENDITURES				
	(726,627)	(643,412)	83,215	(139,666)
Net change in fund balances	(726,627)	(643,412)	83,215	(139,666)
FUND BALANCES:				
Beginning of year	643,412	643,412	-	783,078
End of year	\$ (83,215)	\$ -	\$ 83,215	\$ 643,412

City of San Gabriel

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

Parks and Recreation Activity Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Charges for services	\$ 174,700	\$ 193,854	\$ 19,154	\$ 152,613
Total revenues	174,700	193,854	19,154	152,613
EXPENDITURES:				
Culture and recreation	181,302	203,089	(21,787)	181,088
Total expenditures	181,302	203,089	(21,787)	181,088
REVENUES OVER (UNDER) EXPENDITURES				
	(6,602)	(9,235)	(2,633)	(28,475)
Net change in fund balances	(6,602)	(9,235)	(2,633)	(28,475)
FUND BALANCES:				
Beginning of year	161,548	161,548	-	190,023
End of year	\$ 154,946	\$ 152,313	\$ (2,633)	\$ 161,548

City of San Gabriel

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

Mission Playhouse/Facility Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Charges for services	\$ 45,000	\$ 49,621	\$ 4,621	\$ 40,530
Total revenues	45,000	49,621	4,621	40,530
EXPENDITURES:				
Capital outlay	202,661	87,383	115,278	113,010
Total expenditures	202,661	87,383	115,278	113,010
REVENUES OVER (UNDER) EXPENDITURES				
	(157,661)	(37,762)	119,899	(72,480)
Net change in fund balances	(157,661)	(37,762)	119,899	(72,480)
Beginning of year	137,974	137,974	-	210,454
End of year	\$ (19,687)	\$ 100,212	\$ 119,899	\$ 137,974

City of San Gabriel

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

Local Law Enforcement Block Grant Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	-	40,082
Total expenditures	-	-	-	40,082
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	-	(40,082)
Net change in fund balances	-	-	-	(40,082)
FUND BALANCES:				
Beginning of year	-	-	-	40,082
End of year	\$ -	\$ -	\$ -	\$ -

City of San Gabriel

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

Air Quality Management District Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 50,000	\$ 49,976	\$ (24)	\$ 47,040
Investment income	1,000	115	(885)	1,401
Total revenues	51,000	50,091	(909)	48,441
EXPENDITURES:				
Capital outlay	50,000	49,991	9	123,787
Total expenditures	50,000	49,991	9	123,787
REVENUES OVER (UNDER) EXPENDITURES	1,000	100	(900)	(75,346)
Net change in fund balances	1,000	100	(900)	(75,346)
FUND BALANCES:				
Beginning of year	(2,747)	(2,747)	-	72,599
End of year	<u>\$ (1,747)</u>	<u>\$ (2,647)</u>	<u>\$ (900)</u>	<u>\$ (2,747)</u>

City of San Gabriel
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Narcotic Seizure Fund
For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 65,000	\$ 44,420	\$ 44,420	\$ 72,570
Investment income	8,500	7,251	7,251	10,355
Total revenues	73,500	51,671	(21,829)	82,925
EXPENDITURES:				
Capital outlay	45,185	928	44,257	3,256
Total expenditures	45,185	928	44,257	3,256
REVENUES OVER (UNDER) EXPENDITURES	28,315	50,743	22,428	79,669
Net change in fund balances	28,315	50,743	22,428	79,669
FUND BALANCES:				
Beginning of year	423,738	423,738	-	344,069
End of year	\$ 452,053	\$ 474,481	\$ 22,428	\$ 423,738

City of San Gabriel

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

Waste Management Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Charges for services	\$ 500,000	\$ 519,384	\$ 19,384	\$ 518,690
Total revenues	500,000	519,384	19,384	518,690
EXPENDITURES:				
Capital outlay	2,600,020	706,053	1,893,967	78,220
Total expenditures	2,600,020	706,053	1,893,967	78,220
REVENUES OVER (UNDER) EXPENDITURES				
	(2,100,020)	(186,669)	1,913,351	440,470
Net change in fund balances	(2,100,020)	(186,669)	1,913,351	440,470
FUND BALANCES:				
Beginning of year	2,079,272	2,079,272	-	1,638,802
End of year	\$ (20,748)	\$ 1,892,603	\$ 1,913,351	\$ 2,079,272

City of San Gabriel

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Development Impact Fees Fund For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Charges for services	\$ 125,000	\$ 389,554	\$ 264,554	\$ 193,284
Investment income	25,000	19,202	(5,798)	46,517
Total revenues	150,000	408,756	258,756	239,801
EXPENDITURES:				
Capital outlay	1,197,437	247,685	949,752	442,783
Total expenditures	1,197,437	247,685	949,752	442,783
REVENUES OVER (UNDER) EXPENDITURES	(1,047,437)	161,071	1,208,508	(202,982)
Net change in fund balances	(1,047,437)	161,071	1,208,508	(202,982)
FUND BALANCES:				
Beginning of year	1,328,497	1,328,497	-	1,531,479
End of year	\$ 281,060	\$ 1,489,568	\$ 1,208,508	\$ 1,328,497

City of San Gabriel

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

Street Light Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Charges for services	\$ 25,000	\$ 6,337	\$ (18,663)	\$ 19,011
Total revenues	25,000	6,337	(18,663)	19,011
EXPENDITURES:				
Capital outlay	30,000	40	29,960	43,888
Total expenditures	30,000	40	29,960	43,888
REVENUES OVER (UNDER) EXPENDITURES	(5,000)	6,297	(48,623)	(24,877)
Net change in fund balances	(5,000)	6,297	(48,623)	(24,877)
FUND BALANCES:				
Beginning of year	205,084	205,084	-	229,961
End of year	\$ 200,084	\$ 211,381	\$ 11,297	\$ 205,084

City of San Gabriel

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

Office of Traffic Safety Grant Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 140,000	\$ 109,313	\$ (30,687)	\$ 134,858
Total revenues	140,000	109,313	(30,687)	134,858
EXPENDITURES:				
Current:				
Public safety	103,000	127,317	(24,317)	126,475
Total expenditures	103,000	127,317	(24,317)	126,475
REVENUES OVER (UNDER) EXPENDITURES	37,000	(18,004)	(55,004)	8,383
Net change in fund balances	37,000	(18,004)	(55,004)	8,383
FUND BALANCES:				
Beginning of year	(1,828)	(1,828)	-	(10,211)
End of year	\$ 35,172	\$ (19,832)	\$ (55,004)	\$ (1,828)

City of San Gabriel

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

Measure R Fund

For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Intergovernmental	\$ 400,000	\$ 388,231	\$ (11,769)	\$ 359,141
Investment income	15,000	13,157	(1,843)	13,453
Total revenues	415,000	401,388	(13,612)	372,594
EXPENDITURES:				
Capital Outlay	801,000	1,760	799,240	-
Total expenditures	801,000	1,760	799,240	-
REVENUES OVER (UNDER) EXPENDITURES	(386,000)	399,628	785,628	372,594
Net change in fund balances	(386,000)	399,628	785,628	372,594
FUND BALANCES:				
Beginning of year	646,989	646,989	-	274,395
End of year	\$ 260,989	\$ 1,046,617	\$ 785,628	\$ 646,989

MAJOR CAPITAL PROJECT FUND

The Capital Project Fund is established to account for the Redevelopment Agency.

Major Fund:

Redevelopment Fund - to account for administrative and other costs of the Redevelopment Agency.

City of San Gabriel
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Redevelopment Fund
For the year ended June 30, 2012

	2012		Variance with Final Budget Positive/ (Negative)	2011
	Final	Actual		Actual
REVENUES:				
Taxes	\$ 400,000	\$ 380,253	\$ (19,747)	\$ 971,742
Investment income	30,000	81,969	51,969	130,875
Total revenues	430,000	462,222	32,222	1,102,617
EXPENDITURES:				
Current:				
Community development	307,007	577,803	(270,796)	944,502
Pass-throughs	-	-	-	156,823
Capital outlay	2,507,143	582,108	1,925,035	1,462,212
Total expenditures	2,814,150	1,159,911	1,654,239	2,563,537
REVENUES OVER (UNDER) EXPENDITURES	(2,384,150)	(697,689)	1,686,461	(1,460,920)
OTHER FINANCING SOURCES:				
Transfers in	-	-	-	-
Transfers out	-	-	-	(16,763)
Total other financing sources	-	-	-	(16,763)
Change in Fund Balance Before Extraordinary Item	(2,384,150)	(697,689)	1,686,461	(1,477,683)
Extraordinary Item	-	2,094,485	2,094,485	-
Net change in fund balances	(2,384,150)	1,396,796	3,780,946	(1,477,683)
FUND BALANCES:				
Beginning of year	(1,396,796)	(1,396,796)	-	80,887
End of year	\$ (3,780,946)	\$ -	\$ 3,780,946	\$ (1,396,796)

INTERNAL SERVICE FUND

Internal Service Funds are used to finance and account for goods and services provided by one City department to other City departments or agencies. Funds included are:

Self-Insurance Fund - to account for payments made for the City's workers' compensation and general liability claims.

Automotive Maintenance Fund - to account for costs of operating a maintenance facility for automotive equipment used by City departments.

City of San Gabriel
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Self Insurance	Automotive Maintenance	Total	
			2012	2011
ASSETS				
Current assets:				
Cash and investments	\$ 3,066,917	\$ 974,987	\$ 4,041,904	\$ 3,393,316
Accounts receivables, net	52,990	-	52,990	-
Prepaid costs	19,586	-	19,586	153,169
Total current assets	3,139,493	974,987	4,114,480	3,546,485
Noncurrent assets:				
Capital assets:				
Building	-	115,780	115,780	115,780
Machinery and equipment	-	208,473	208,473	49,053
Accumulated depreciation	-	(109,638)	(109,638)	(98,260)
Total capital assets	-	214,615	214,615	66,573
Total assets	3,139,493	1,189,602	4,329,095	3,613,058
LIABILITIES				
Current liabilities:				
Accounts payable	38,941	26,044	64,985	232,539
Accrued payroll	-	11,241	11,241	10,315
Compensated absences	-	32,506	32,506	24,021
Claims payable - current portion	894,888	-	894,888	617,734
Total current liabilities	933,829	69,791	1,003,620	884,609
Noncurrent liabilities:				
Claims payable, net of current portion	2,088,073	-	2,088,073	1,441,379
Total liabilities	3,021,902	69,791	3,091,693	2,325,988
NET ASSETS				
Invested in capital assets, net of related debt	-	214,615	214,615	66,573
Unrestricted	117,591	905,196	1,022,787	1,220,497
Total net assets	\$ 117,591	\$ 1,119,811	\$ 1,237,402	\$ 1,287,070

City of San Gabriel
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the year ended June 30, 2012

	Self Insurance	Automotive Maintenance	Total	
			2012	2011
OPERATING REVENUES:				
Charges for services	\$ 3,861,923	\$ 1,155,043	\$ 5,016,966	\$ 5,002,878
Total operating revenues	3,861,923	1,155,043	5,016,966	5,002,878
OPERATING EXPENDITURES:				
Personnel services	-	306,041	306,041	287,643
Contractual services	-	21,663	21,663	15,073
Vehicle operating	-	397,570	397,570	390,503
Depreciation	-	11,377	11,377	2,873
Utilities	-	5,968	5,968	5,237
Uniforms	-	2,678	2,678	2,509
Operating expenses	-	914	914	1,468
Insurance premiums	3,910,086	-	3,910,086	3,641,842
Claims and judgments	1,273,073	-	1,273,073	777,568
Total operating expenses	5,183,159	746,211	5,929,370	5,124,716
OPERATING INCOME (LOSS)	(1,321,236)	408,832	(912,404)	(121,838)
NONOPERATING REVENUES:				
Investment income	28,463	14,036	42,499	48,694
Total other financing sources (uses)	28,463	14,036	42,499	48,694
INCOME (LOSS) BEFORE TRANSFERS	(1,292,773)	422,868	(869,905)	(73,144)
Transfers in	855,237	-	855,237	840,505
Transfers out	-	(35,000)	(35,000)	-
Total transfers	855,237	(35,000)	820,237	840,505
Change in net assets	(437,536)	387,868	(49,668)	767,361
NET ASSETS				
Beginning of year	555,127	731,943	1,287,070	519,709
End of year	\$ 117,591	\$ 1,119,811	\$ 1,237,402	\$ 1,287,070

City of San Gabriel
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2012

	Automotive	Total		
Self Insurance	Maintenance	2012	2011	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from user departments	\$ 3,808,933	\$ 1,155,043	\$ 4,963,976	\$ 5,002,878
Cash payments to suppliers for goods and services	(4,281,337)	(440,738)	(4,722,075)	(4,559,918)
Cash payments to employees for services	-	(296,630)	(296,630)	(287,081)
Net cash provided by (used for) operating activities	(472,404)	417,675	(54,729)	155,879
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	855,237	-	855,237	840,505
Cash provided to other funds	-	(35,000)	(35,000)	-
Net cash provided (used) by noncapital financing activities	855,237	(35,000)	820,237	840,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments to acquire capital assets	-	(159,419)	(159,419)	-
Net cash provided by (used for) capital and related financing activities	-	(159,419)	(159,419)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received from investments	28,463	14,036	42,499	48,694
Net cash provided by investing activities	28,463	14,036	42,499	48,694
Net increase (decrease) in cash and cash equivalents	411,296	237,292	648,588	1,045,078
CASH AND CASH EQUIVALENTS				
Beginning of year	1,881,880	466,358	3,393,316	2,348,238
End of year	\$ 2,293,176	\$ 703,650	\$ 4,041,904	\$ 3,393,316
RECONCILIATION OF NET OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,321,236)	\$ 408,832	\$ (912,404)	\$ (121,838)
Adjustments to reconcile operating income (loss)				
to net cash provided by (used for) operating activities:				
Depreciation	-	11,377	11,377	2,873
(Increase) decrease in accounts receivable	(52,990)	-	(52,990)	-
(Increase) decrease in prepaid costs	133,583	-	133,583	(140,324)
Increase (decrease) in accounts payable	(155,609)	(11,945)	(167,554)	(46,225)
Increase (decrease) in accrued payroll	-	926	926	1,943
Increase (decrease) in compensated absences	-	8,485	8,485	(1,381)
Increase (decrease) in claims payable	923,848	-	923,848	460,831
Total adjustments	848,832	8,843	857,675	277,717
Net cash provided by (used for) operating activities	\$ (472,404)	\$ 417,675	\$ (54,729)	\$ 155,879

FIDUCIARY FUNDS

The Agency Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The Agency Fund operates as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Deposit Fund - This fund is used to account for deposits collected by the City which will be refunded at some later date.

The Private Purpose Trust Fund is used to report resources of other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Private Purpose Trust Fund -This fund is used to report the assets, liabilities and activities of the City of San Gabriel Successor Agency.

City of San Gabriel
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2012

	Balance July 1, 2011	Addition	Deductions	Balance June 30, 2012
Deposit Fund				
ASSETS				
Cash and investments	\$ 610,823	\$ 1,184,889	\$ (1,168,854)	\$ 626,858
Account receivable	55,470	44,952	(55,470)	44,952
Total assets	\$ 666,293	\$ 1,229,841	\$ (1,224,324)	\$ 671,810
LIABILITIES				
Accounts payable	\$ 28,042	\$ 1,034,938	\$ (1,030,293)	\$ 32,687
Deposits payable	638,252	1,129,419	(1,128,548)	639,123
Total liabilities	\$ 666,294	\$ 2,164,357	\$ (2,158,841)	\$ 671,810

City of San Gabriel Successor Agency
Statement of Fiduciary Net Assets
Private Purpose Trust Fund
June 30, 2012

	City of San Gabriel Successor Agency	2011
ASSETS		
Cash and investments	\$ 1,047,555	\$ -
Due from City of San Gabriel	1,261,323	-
Property held for resale	1,500,000	-
Total assets	\$ 3,808,878	\$ -
LIABILITIES		
Accounts payable	\$ 3,452,008	\$ -
Accrued liabilities	7,897	-
Advances from City of San Gabriel	1,284,945	-
Total liabilities	\$ 4,744,850	\$ -
NET ASSETS	\$ (935,972)	\$ -

City of San Gabriel Successor Agency
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Period February 1, 2012 through June 30, 2012

	<u>City of San Gabriel</u> <u>Successor Agency</u>
REVENUES:	
Tax increment received	\$ 269,317
Interest earnings	1,261,323
Total Revenues	<u>1,530,640</u>
EXPENDITURES:	
Community development	661,310
Total Expenditures	<u>661,310</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>869,330</u>
EXTRAORDINARY ITEM	<u>(1,805,302)</u>
Net Increase (Decrease) in Net Assets	<u>(935,972)</u>
Net Assets - beginning of year	<u>-</u>
Net Assets - end of year	<u>\$ (935,972)</u>

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
of the City of San Gabriel
San Gabriel, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Gabriel, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2013. 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.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (2012-1).

To the Honorable Mayor and Members of the City Council
of the City of San Gabriel
San Gabriel, California
Page 2

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be a significant (2012-2).

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 27, 2013.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Marcum LLP
Irvine, California
February 27, 2013

STATISTICAL SECTION

This part of the City of San Gabriel's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

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Financial Trends

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

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Revenue Capacity

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

132-138

Dept Capacity

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

139-141

Demographic and Economic Information

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

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Operating Information

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

145-146

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of San Gabriel
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
Primary government				
Invested in capital assets, net of related debt	\$ 40,773,686	\$ 39,375,000	\$ 37,827,601	\$ 37,743,330
Restricted ⁽¹⁾	10,408,493	14,665,685		-
Unrestricted	2,508,800	2,179,372	20,371,939	21,447,464
Total primary government net assets	<u>\$ 53,690,979</u>	<u>\$ 56,220,057</u>	<u>\$ 58,199,540</u>	<u>\$ 59,190,794</u>

(1) The City of San Gabriel adopted the provisions of GASB 54 on June 7, 2010 for fiscal year 2010-11.

Notes: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.
Information prior to the implementation of GASB 34 is not available.

TABLE 1

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 33,455,141	\$ 33,796,931	32,625,226	34,550,210	34,584,514	34,987,701
-	-	-	-	-	-
22,873,363	21,411,617	16,489,547	13,185,700	13,181,974	13,018,335
<u>\$ 56,328,504</u>	<u>\$ 55,208,548</u>	<u>49,114,773</u>	<u>47,735,910</u>	<u>47,766,488</u>	<u>48,006,036</u>

City of San Gabriel
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
Expenses				
Governmental activities:				
General government	\$ 6,324,430	\$ 6,863,837	\$ 6,437,800	\$ 5,443,922
Public safety	19,695,496	18,558,140	17,748,076	17,869,728
Community development	8,880,924	8,984,098	6,406,734	5,926,698
Culture and recreation	3,259,953	3,178,378	2,929,024	3,246,525
Transportation	1,563,573	3,069,674	1,688,865	3,256,021
Total primary government expenditures	<u>39,724,376</u>	<u>40,654,127</u>	<u>35,210,499</u>	<u>35,742,894</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	788,719	788,664	738,643	667,009
Public safety	2,292,293	2,356,082	2,227,266	1,978,130
Community development	1,653,036	1,784,907	1,496,009	1,736,552
Culture and recreation	780,451	675,849	762,501	829,795
Transportation	6,000	6,000	6,000	6,000
Operating grants and contributions	5,948,416	6,900,218	3,648,642	6,224,331
Capital grants and contributions	1,687,194	2,897,964	4,302,455	2,456,961
Total government activities program revenues	<u>13,156,109</u>	<u>15,409,684</u>	<u>13,181,516</u>	<u>13,898,778</u>
Net revenue/(expenses)				
Total primary government net expense	<u>\$ (26,568,267)</u>	<u>\$ (25,244,443)</u>	<u>\$ (22,028,983)</u>	<u>\$ (21,844,116)</u>
Governmental activities:				
Taxes				
Property taxes	\$ 9,237,775	\$ 8,990,057	\$ 8,193,637	\$ 8,852,999
Utility users tax	4,514,886	880,057	4,685,188	3,867,625
Sales Taxes	3,860,989	4,690,820	3,090,531	3,507,109
Franchise taxes	582,469	3,527,569	563,514	639,870
Transient occupancy tax	948,223	582,088	760,976	702,295
Property transfer tax	87,613	86,649	130,419	106,406
Motor vehicle in lieu (unrestricted)	3,611,799	3,716,904	3,597,698	3,583,434
Investment earnings	654,325	697,253	645,521	470,795
Miscellaneous	67,915	93,564	146,830	208,165
Total governmental activities:	<u>23,565,994</u>	<u>23,264,960</u>	<u>21,814,314</u>	<u>21,938,698</u>
Total primary government	<u>25,371,296</u>	<u>23,264,960</u>	<u>21,814,314</u>	<u>21,938,698</u>
Extraordinary item	<u>1,805,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets				
Total primary government	<u>\$ (1,196,971)</u>	<u>\$ (1,979,483)</u>	<u>\$ (214,669)</u>	<u>\$ 94,582</u>

TABLE 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 5,226,785	\$ 3,202,488	\$ 4,629,928	\$ 3,632,467	\$ 3,471,388	\$ 3,135,735
17,229,072	14,685,584	14,278,926	14,394,449	12,168,593	10,326,967
6,067,911	3,902,507	4,607,455	6,072,509	4,161,676	3,712,609
3,102,722	2,855,572	2,737,045	2,784,195	2,625,740	2,182,577
2,063,459	2,153,567	3,386,808	697,797	2,331,649	2,142,391
<u>33,689,949</u>	<u>26,799,718</u>	<u>29,640,162</u>	<u>27,581,417</u>	<u>24,759,046</u>	<u>21,500,279</u>
697,239	673,429	204,187	3,505,044	1,202,766	2,168,926
1,843,374	2,008,412	1,938,757	1,343,392	1,371,383	1,335,946
2,417,507	2,099,574	2,592,783	2,919,783	2,570,863	1,942,160
799,899	739,107	517,130	506,565	409,709	553,364
5,500	6,000	5,500	6,500	6,000	26,485
5,097,352	4,561,119	5,149,940	4,026,667	3,184,871	4,358,304
2,602,237	2,019,336	1,497,228	1,040,705	1,966,768	702,835
<u>13,463,108</u>	<u>12,106,977</u>	<u>11,905,525</u>	<u>13,348,656</u>	<u>10,712,360</u>	<u>11,088,020</u>
\$ <u>(20,226,841)</u>	\$ <u>(14,692,741)</u>	\$ <u>(17,734,637)</u>	\$ <u>(14,232,761)</u>	\$ <u>(14,046,686)</u>	\$ <u>(10,412,259)</u>
\$ 8,193,765	\$ 7,765,406	\$ 6,810,825	\$ 5,408,729	\$ 5,406,831	\$ 4,801,327
3,570,013	3,542,633	3,436,485	3,259,972	3,204,161	2,937,247
4,051,011	4,146,868	3,951,558	3,924,613	3,783,872	3,626,265
625,398	668,599	581,641	565,710	556,582	608,215
645,892	565,719	492,500	367,974	53,631	64,535
194,860	237,345	225,367	198,064	213,818	164,342
3,300,106	3,174,911	3,014,702			
600,514	616,772	521,702	353,378	292,887	269,883
165,238	68,263	78,720	123,743.00	295,356.00	609,230.00
21,346,797	20,786,516	19,113,500	14,202,183	13,807,138	13,081,044
<u>21,346,797</u>	<u>20,786,516</u>	<u>19,113,500</u>	<u>14,202,183</u>	<u>13,807,138</u>	<u>13,081,044</u>
-	-	-	-	-	-
\$ <u>1,119,956</u>	\$ <u>6,093,775</u>	\$ <u>1,378,863</u>	\$ <u>(30,578)</u>	\$ <u>(239,548)</u>	\$ <u>2,668,785</u>

City of San Gabriel
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
General fund				
Non-spendable	\$ 1,291,035	\$ 5,457,078		
Reserved	-	-	\$ 11,037,947	\$ 9,476,639
Restricted	21,907	244,594		
Committed	5,836,526	6,121,090		
Assigned	-	-		
Unassigned	1,140,249	(639,868)		
Unreserved	-	-	122,874	2,604,025
Total general fund	<u>\$ 8,289,717</u>	<u>\$ 11,182,894</u>	<u>\$ 11,160,821</u>	<u>\$ 12,080,664</u>
All other governmental funds				
Reserved			\$ 4,090,559	\$ 3,844,491
Restricted	\$ 11,084,898	\$ 14,845,426		
Unassigned		\$ (5,631,679)		
Special revenue funds	(824,635)		10,288,265	8,232,648
Capital projects funds	-		(2,067,856)	(815,179)
Total all other governmental funds	<u>\$ 10,260,263</u>	<u>\$ 9,213,747</u>	<u>\$ 12,310,968</u>	<u>\$ 11,261,960</u>

TABLE 3

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 7,069,832	\$ 5,480,870	\$ 4,272,486	\$ 3,129,445	\$ 1,923,998	\$ 1,845,580
3,898,435	3,951,322	2,830,700	1,547,760	1,549,942	2,349,402
<u>\$ 10,968,267</u>	<u>\$ 9,432,192</u>	<u>\$ 7,103,186</u>	<u>\$ 4,677,205</u>	<u>\$ 3,473,940</u>	<u>\$ 4,194,982</u>
\$ 4,701,353	\$ 4,200,199	\$ 4,656,964	\$ 5,154,535	\$ 6,157,919	\$ 5,758,216
9,787,423	8,652,955	6,820,730	5,323,606	4,910,204	3,833,019
(814,569)	(1,455,842)	(1,943,857)	(761,763)	(802,329)	(792,414)
<u>\$ 13,674,207</u>	<u>\$ 11,397,312</u>	<u>\$ 9,533,837</u>	<u>\$ 9,716,378</u>	<u>\$ 10,265,794</u>	<u>\$ 8,798,821</u>

City of San Gabriel
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
Revenues				
Taxes	\$ 19,707,269	\$ 19,971,918	\$ 18,967,156	\$ 18,856,774
Intergovernmental	9,353,878	8,851,153	8,865,299	7,493,492
Charges for services	3,295,442	3,255,034	2,897,685	2,962,722
Fines and forfeitures	1,099,215	1,121,834	1,010,089	990,193
Licenses and permits	1,721,882	1,682,928	1,525,324	1,618,502
Investment income	1,425,700	1,589,883	1,717,467	1,725,199
Other	195,915	1,830,805	402,551	1,580,225
Total revenues	<u>36,799,301</u>	<u>38,303,555</u>	<u>35,385,571</u>	<u>35,227,107</u>
Expenditures				
General government	5,476,596	6,129,782	5,748,554	5,302,319
Police	11,011,904	10,579,871	10,288,761	10,474,668
Fire	6,459,510	6,342,987	6,102,152	6,237,333
Community development	6,745,302	5,140,022	5,178,331	5,211,414
Culture and recreation	2,993,283	2,872,819	2,840,657	3,034,745
Transportation	595,409	1,998,050	797,342	2,314,683
Capital outlay	6,349,023	7,474,667	3,488,540	3,499,652
Total expenditures	<u>39,631,027</u>	<u>40,538,198</u>	<u>34,444,337</u>	<u>36,074,814</u>
Excess of revenues over (under) expenditures	(2,831,726)	(2,234,643)	941,234	(847,707)
Other financing sources (uses)				
Transfers in	5,315,085	5,813,008	5,768,687	6,304,479
Transfers out	(6,135,322)	(6,653,513)	(6,580,756)	(6,756,622)
Sales of capital assets				
Total other financing sources (uses)	<u>(820,237)</u>	<u>(840,505)</u>	<u>(812,069)</u>	<u>(452,143)</u>
Extraordinary item	<u>1,805,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,846,661)</u>	<u>\$ (3,075,148)</u>	<u>\$ 129,165</u>	<u>\$ (1,299,850)</u>

TABLE 4

Fiscal Year						
	2008	2007	2006	2005	2004	2003
\$	18,396,557	\$ 17,819,605	\$ 16,357,216	\$ 14,279,916	\$ 13,350,237	\$ 12,502,126
	8,099,277	6,674,651	7,376,681	6,645,842	5,745,683	6,331,359
	3,554,372	3,378,104	3,172,456	3,433,174	3,017,850	2,556,007
	975,935	1,134,103	935,568	505,031	589,054	653,878
	1,999,600	1,804,288	1,751,879	1,522,070	1,466,456	1,095,066
	1,657,104	1,603,128	1,201,027	543,184	421,241	384,816
	339,413	196,614	964,280	124,063	295,366	609,655
	35,022,258	32,610,493	31,759,107	27,053,280	24,885,887	24,132,907
	4,848,851	4,653,839	4,488,526	3,484,375	3,348,343	3,056,428
	9,951,781	9,013,299	8,651,059	8,129,980	7,037,866	6,145,663
	6,089,533	5,415,918	5,165,018	4,955,281	4,433,485	3,731,959
	5,029,899	3,826,599	3,778,788	3,923,588	3,342,852	3,120,389
	2,909,229	2,760,442	2,599,376	2,477,786	2,434,397	2,061,358
	762,762	714,778	1,688,142	621,934	1,050,263	921,018
	2,793,920	1,787,862	1,418,409	2,637,308	2,358,160	2,943,895
	32,385,975	28,172,737	27,789,318	26,230,252	24,005,366	21,980,710
	2,636,283	4,437,756	3,969,789	823,028	880,521	2,152,197
	6,571,507	5,878,963	5,497,386	4,880,058	3,040,877	3,136,576
	(6,894,820)	(6,124,238)	(5,723,735)	(5,049,237)	(3,175,467)	(3,252,745)
	-	-	-	-	-	-
	(323,313)	(245,275)	(226,349)	(169,179)	(134,590)	(116,169)
	-	-	-	-	-	-
\$	2,312,970	\$ 4,192,481	\$ 3,743,440	\$ 653,849	\$ 745,931	\$ 2,036,028

City of San Gabriel
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

TABLE 5

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Total Assessed Value</u>
2002-2003	1,653,432,464	488,962,063	56,502,244	12,998,045	2,185,898,726	0.2063%	2,198,896,771
2003-2004	1,816,341,125	519,001,911	58,806,602	13,241,637	2,380,908,001	0.2078%	2,394,149,638
2004-2005	1,954,983,363	534,095,932	60,925,561	13,950,179	2,536,054,677	0.2115%	2,550,004,856
2005-2006	2,147,415,244	572,858,300	61,727,068	13,972,591	2,768,028,021	0.2445%	2,782,000,612
2006-2007	2,357,776,029	709,325,979	69,591,831	14,065,867	3,136,693,839	0.2685%	3,185,026,371
2007-2008	2,536,813,542	720,257,939	75,044,285	14,927,928	3,332,115,766	0.2648%	3,456,264,580
2008-2009	2,688,432,244	902,400,041	79,640,809	14,441,989	3,670,473,094	0.2727%	3,720,407,417
2009-2010	2,723,737,670	720,620,825	79,631,466	14,583,983	3,718,889,581	0.2755%	3,769,434,863
2010-2011	2,787,025,610	905,055,434	78,770,286	14,522,506	3,770,851,330	0.2753%	3,820,231,236
2011-2012	2,858,165,592	907,681,658	80,043,712	14,522,506	3,845,890,962	0.2755%	3,896,072,069

Source: Los Angeles County Assessor's Office

City of San Gabriel
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$100 of assessed value)

TABLE 6

	Fiscal Year									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
City Direct Rates:										
Basic Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
City Basic Rate	0.14000	0.14000	0.14000	0.14000	0.14000	0.14000	0.14000	0.11000	0.11000	0.11000
Total City Direct Rate	1.14000	1.14000	1.14000	1.14000	1.14000	1.14000	1.14000	1.11000	1.11000	1.11000
Overlapping Rates:										
County Detention Facilities	-	-	-	-	-	0.00066	0.00080	0.00092	0.00099	0.00103
Metropolitan Water District	0.00370	0.00370	0.00430	0.00430	0.00450	0.00470	0.00520	0.00580	0.00610	0.00670
Flood Control District	-	-	-	-	-	0.00005	0.00005	0.00024	0.00047	0.00088
LA Community College	0.03530	0.04031	0.02311	0.02212	0.00878	0.02146	0.01430	0.01810	0.01986	0.01460
Alhambra Unified School Dist.	0.07411	0.05996	0.05151	0.03625	0.05460	0.05942	0.06379	0.01949	0.02000	0.01988
Garvey School District	0.08404	0.08503	0.07836	0.06835	0.05061	0.05075	0.05221	0.02319	0.02471	0.05286
Rosemead School Dist.	0.10507	0.10743	0.11358	0.06875	0.08282	0.05420	0.07515	0.07095	0.04517	0.00540
El Monte Union High School	0.09591	0.08475	0.09654	0.05159	0.02820	0.05846	0.05425	0.03928	0.03573	-
Pasadena Community College	0.01956	0.01986	0.02300	0.01741	0.01972	0.02080	0.00410	0.00879	0.00681	-
San Gabriel Unified	0.08454	0.10190	0.10070	0.09293	0.05742	0.04930	0.05284	0.05729	0.05224	0.05803
Temple City Unified	0.04590	0.04950	0.04910	0.04661	0.04413	0.04977	0.04466	0.04778	0.04818	0.04842
Total Direct Rate *	0.27546	0.27532	0.27553	0.27291	0.26484	0.28953	0.28437	0.24814	0.24468	0.24316

* Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Source: Los Angeles County Assessor 2002/03 - 2011/12 Tax Rate Table.

City of San Gabriel
Principal Property Taxpayers
Last Ten Fiscal Years
(amounts expressed in thousands)

	2012			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
<u>Taxpayer</u>						
Universal Shopping Plaza	59,973	1	1.56%	59,525	1	1.58%
Landwin Hospitality LLC	53,179	2	1.38%	52,722	2	1.40%
San Gabriel Valley Medical Center	37,319	3	0.97%	37,040	3	0.98%
Tony C. Chu Trust	27,656	4	0.72%	27,450	4	0.73%
Lancer Investment LLC	21,248	5	0.55%	25,976	5	0.69%
San Gabriel Medical Plaza LLC Lessee	19,740	6	0.51%	21,501	6	0.57%
CRE JL California LLC	18,413	7	0.05%			
Demer Properties Inc.	17,768	8	0.46%	17,635	8	0.47%
Setiawan Boedi Trust	15,170	9	0.39%	15,170	10	0.40%
San Gabriel Gateway Center	14,789	10	0.39%	16,762	9	0.44%
Valley Del Mar Plaza LLC				18,523	7	0.49%
Joan Chiang Trust						
Setiawan & Dharmawan Trust						
Triunion LLC						
Amson Realty LLC						
China Times Inc.						
Dennis D. Jacobsen Family Holdings						
Shih Properties Inc.						

Source: Los Angeles County Assessor

TABLE 7

2010			2009			2008		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
59,666	1	1.60%	58,496	2	1.59%	\$ 57,349	1	1.72%
51,911	2	1.40%	54,455	3	1.48%	24,525	2	0.74%
49,403	3	1.33%	61,190	1	1.67%			
21,300	7	0.57%	20,883	5	0.57%	20,473	3	0.61%
26,052	4	0.70%	25,403	4	0.69%			
21,552	6	0.58%	14,501	8	0.40%	14,217	6	0.43%
17,677	8	0.48%	17,331	6	0.47%	16,991	4	0.51%
16,854	9	0.45%						
16,801	10	0.45%						
22,440	5	0.60%						
			10,935	10	0.30%			
			16,524	7	0.45%	16,200	5	0.49%
			12,004	9	0.33%			
						10,710	7	0.32%
						9,903	9	0.30%
						10,579	8	0.32%
						9,316	10	0.28%

City of San Gabriel
Principal Property Taxpayers
Last Ten Fiscal Years
(amounts expressed in thousands)

	2007			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
<u>Taxpayer</u>						
Universal Shopping Plaza	\$ 56,225	2	1.79%	\$ 54,439	2	1.97%
Landwin Hospitality LLC	13,609	6	0.43%	13,079	5	0.47%
San Gabriel Valley Medical Center	60,296	1	1.92%	76,240	1	2.68%
Tony C. Chu Trust	20,072	3	0.64%	19,799	3	0.72%
San Gabriel Medical Plaza LLC Lessee	13,938	5	0.44%			
Demer Properties Inc.	16,658	4	0.53%	18,372	4	0.66%
Setiawan & Dharmawan Trust	10,889	7	0.35%			
Amson Realty LLC	10,500	8	0.33%			
China Times Inc.	9,077	9	0.29%			
Grand Valley LLC	8,490	10	0.27%			
King Summer Star LLC				11,014	6	0.40%
Grand Valley LLC				8,324	7	0.30%
Hawaii Property Inc.				8,102	8	0.29%
Lucky Center LLC				8,089	9	0.29%
Shih Properties Inc.				7,613	10	0.28%
Life Plaza Center LLC						
Archdiocese of LA Educ & Welfare						
Thomas K. & Hsui Y. Wong						
C & B Limited Partnership						
De Marco Parties Partnership						
Charter Communication						
San Gabriel Club						
Roman Catholic Archbishop of LA						

TABLE 7

continued

2005			2004			2003		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 53,372	2	2.05%	\$ 52,394	2	2.10%	\$ 51,366	2	2.23%
						9,868	6	0.43%
77,185	1	2.96%	74,893	1	3%	71,702	1	3.11%
19,292	3	0.74%	15,639	3	0.63%	15,332	3	0.67%
14,247	4	0.55%	13,986	4	0.56%	11,657	4	0.51%
10,798	6	0.41%						
10,153	5	0.39%	11,195	5	0.45%	11,140	5	0.51%
7,930	9	0.30%				7,632	8	0.33%
6,963	10	0.28%	6,835	10	0.27%			
8,583	8	0.33%				8,472	7	0.37%
8,895	7	0.34%	8,836	7	0.35%	6,800	10	0.30%
						7,034	9	0.31%
			10,600	6	0.42%			
			7,785	9	0.31%			
			8,398	8	0.34%			

City of San Gabriel
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

TABLE 8

Fiscal Year	Total Tax Levy for Fiscal Year ⁽¹⁾	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ⁽²⁾	Percentage of Levy		Amount	Percentage of Levy
2002-2003	4,620,864	4,318,771	93%	283,694	4,602,465	100%
2003-2004	5,050,644	4,775,222	95%	129,862	4,905,084	97%
2004-2005	5,420,209	5,236,233	97%	166,111	5,402,344	100%
2005-2006	6,706,481	6,192,581	92%	470,993	6,663,574	99%
2006-2007	7,456,596	7,213,559	97%	267,278	7,480,837	100%
2007-2008	7,853,970	7,538,774	96%	314,523	7,853,297	100%
2008-2009	8,654,549	8,212,669	95%	345,078	8,557,748	99%
2009-2010	8,974,995	8,127,697	91%	328,444	8,456,142	94%
2010-2011	8,530,846	8,258,096	97%	298,579	8,556,675	100%
2011-2012	9,047,677	8,520,858	94%	569,336	9,090,194	100%

(1) Total tax levy for the fiscal year includes the original levy and all supplementary tax levies.

(2) Collections excluded penalty and interest.

Source: Los Angeles County Auditor-Controller

City of San Gabriel
Schedule of Direct and Overlapping Debt
June 30, 2012

TABLE 9

	Percent Applicable to City of San Gabriel	Outstanding Debt 6/30/12	Amount Applicable to City of San Gabriel
<u>Overlapping bonded debt:</u>			
METROPOLITAN WATER DISTRICT	0.430	\$ 94,031,705	\$ 404,080
GARVEY SCHOOL DISTRICT DS 2000 SERIES A	12.431	529,903	65,874
GARVEY SCHOOL DISTRICT DS 2000 SERIES B	14.431	6,244,519	776,274
GARVEY SCHOOL DISTRICT 2004 SERIES 2005	12.431	8,023,736	997,454
GARVEY SCHOOL DISTRICT 2004 SERIES 2006	12.431	10,365,155	1,288,523
GARVEY SCHOOL DISTRICT 2004 SERIES C	12.431	14,167,964	1,761,261
ROSEMEAD SCHOOL DISTRICT DS 2000 SERIES B	11.467	5,275,000	604,862
ROSEMEAD SCHOOL DISTRICT DS 2000 SERIES C	11.467	6,525,000	748,195
ROSEMEAD SCHOOL DISTRICT DS 2007 REF. BONDS	11.467	9,665,000	1,108,246
ROSEMEAD SCHOOL DISTRICT DS 2008 SERIES A	11.467	13,495,000	1,547,416
EL MONTE UN HSD DS 2002 SERIES A	2.408	2,065,000	49,726
EL MONTE UN HSD DS 2002 SERIES B	2.408	3,485,000	83,921
EL MONTE UN HSD DS 2006 REFUNDING BONDS	2.408	35,718,692	860,125
EL MONTE UN HSD DS 2002 SERIES C	2.408	28,705,000	691,232
EL MONTE UN HSD DS 2008 SERIES A	2.408	53,225,754	1,281,705
L.A. CCD DS 2003 SERIES B	0.615	68,960,000	424,144
L.A. CCD DS 2003 TAXABLE SERIES 2004B	0.615	15,010,000	92,334
L.A. CCD DS 2001 TAXABLE SERIES 2004A	0.615	74,615,000	458,993
L.A. CCD DS REFUNDING 2001 SERIES 2005A	0.615	430,410,000	2,647,658
L.A. CCD DS 2001, 2006 SERIES B	0.615	382,575,000	2,353,402
L.A. CCD DS 2003, 2006 SERIES C	0.615	284,050,000	1,747,328
L.A. CCD DS 2001, 2008 SERIES E-1	0.615	275,580,000	1,695,225
L.A. CCD DS 2003, 2008 SERIES F-1	0.615	344,915,000	2,121,737
L.A. CCD DS 2003, 2008 TAXABLE SERIES F-2	0.615	3,805,000	23,406
L A CCD DS 2008, 2009 TAXABLE SERIES A	0.615	350,000,000	2,153,018
L A CCD DS 2008, 2009 TAXABLE SERIES B	0.615	75,000,000	461,361
LACC DEBT 2008, 2010 TAX SERIES D	0.615	175,000,000	1,076,509
LACC DEBT 2010 TAX SER E (BABS)	0.615	900,000,000	5,536,331
LACC DS 2008, 2010 SERIES C	0.615	125,000,000	768,935
PASADENA AREA CCD DS 2002 SERIES A	0.435	980,000	4,261
PASADENA AREA CCD DS 2006 SERIES B	0.435	47,560,000	206,775
PASADENA AREA CCD DS 2006 REF BD SERIES C	0.435	8,660,106	37,651
PASADENA AREA CCD DS 2006 REF BD SERIES D	0.435	26,615,000	117,534
PASADENA AREA CCD DS 2002, 2009 SER E (BABS)	0.435	25,295,000	109,974
SAN GABRIEL USD DS 2002 SERIES A	74.395	1,832,600	1,363,364
SAN GABRIEL USD DS 2002 SERIES B	74.395	5,128,892	3,815,643
SAN GABRIEL USD DS 2005 & 2012 REF. BONDS	74.395	26,355,000	19,606,820
SAN GABRIEL USD DS 2002 SER 2007 C	74.395	10,727,878	7,981,012
SAN GABRIEL USD DS 2008 SERA A	74.395	34,356,709	25,559,697
ALHAMBRA USD DS 1999 SERIES B	0.023	5,580,561	1,272
ALHAMBRA USD DS 2005 REFUNDING BONDS	0.023	6,190,000	1,411
ALHAMBRA USD DS 2004 SERIES A	0.023	43,880,000	10,000
ALHAMBRA USD-GARVEY DS 2004 SERIES B	0.023	43,903,335	10,005
ALHAMBRA USD DS 2008 SERIES B	0.023	24,799,987	5,652
ALHAMBRA USD DS 2008 SERIES B-1 QSCB	0.023	24,999,721	5,697
Total Overlapping Debt:			\$ 92,666,043

This report reflects debt which is being repaid through voter-approved tax indebtedness. It excludes mortgage revenue tax allocation bonds, interim financing obligations, non-bonded capital lease obligations and certificates of participation unless provided by the city.

Source: Los Angeles County Assessor

City of San Gabriel
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Assessed value	3,845,890,962	3,770,851,330	3,718,889,581	3,670,473,094
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	961,472,741	942,712,833	929,722,395	917,618,274
Debt limit percentage	15%	15%	15%	15%
Debt limit	144,220,911	141,406,925	139,458,359	137,642,741
Total net debt applicable to limit:	-	-	-	-
Legal debt margin	144,220,911	141,406,925	139,458,359	137,642,741
Total debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: (1) Los Angeles County Assessor
(2) City Finance Department

TABLE 10

Fiscal Year					
2008	2007	2006	2005	2004	2003
3,332,115,766	3,136,693,839	2,782,000,612	2,550,004,856	2,394,149,638	2,198,896,771
25%	25%	25%	25%	25%	25%
833,028,942	784,173,460	695,500,153	637,501,214	598,537,410	549,724,193
15%	15%	15%	15%	15%	15%
124,954,341	117,626,019	104,325,023	95,625,182	89,780,611	82,458,629
-	-	-	-	-	-
124,954,341	117,626,019	104,325,023	95,625,182	89,780,611	82,458,629
0%	0%	0%	0%	0%	0%

City of San Gabriel
Demographic Statistics
Last Ten Fiscal Years

TABLE 11

<u>Fiscal Year</u>	<u>City Population ⁽¹⁾</u>	<u>Personal Income ⁽²⁾ (In Thousands)</u>	<u>Per Capita Personal Income ⁽²⁾</u>	<u>Unemployment Rate ⁽³⁾</u>
2003	41,571	715,566	17,249	7.50%
2004	41,853	754,297	18,051	6.90%
2005	42,125	792,137	18,825	5.30%
2006	42,320	842,210	19,976	4.70%
2007	42,691	877,029	20,740	5.20%
2008	42,762	888,014	20,917	7.10%
2009	42,829	868,932	20,363	11.30%
2010	42,984	956,609	22,255	10.40%
2011	39,926	984,455	24,657	10.10%
2012	39,926	N/A	N/A	11.20%

Source: (1) Estimates from California State Department of Finance
(2) HDL report.
(3) Employment Development Department, (data shown is for the County.)

**City of San Gabriel
Principal Employers
Last Ten Years**

TABLE 12

Employer	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003	
	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp	No. of Emp	% of Total City Emp
AHMC SAN GABRIEL VALLEY MEDICAL	1009	11.79%	912	11.69%	924	11.51%	860	11.12%	791	11.14%	N/A	N/A								
SGV HEALTHCARE INC	252	2.95%	140	1.79%	137	1.71%	136	1.76%	119	1.68%	111	1.59%	92	1.21%	87	1.32%	81	1.25%	88	1.25%
99 RANCH MARKET	177	2.07%	188	2.41%	180	2.24%	180	2.33%	180	2.53%	180	2.58%	171	2.53%	171	2.59%	161	2.48%	161	2.68%
SAN GABRIEL SUPERSTORE	124	1.45%	121	1.55%	139	1.73%	143	1.85%	154	2.17%	154	2.21%	144	2.13%	106	1.61%	112	1.73%	106	1.77%
IVY CREEK HEALTHCARE & WELLNESS CENTER (FORMERLY ALDERWOOD MANOR)	119	1.39%	113	1.45%	114	1.42%	101	1.31%	103	1.45%	105	1.50%	103	1.52%	100	1.51%	101	1.56%	70	1.17%
FIVE STAR SEAFOOD RESTAURANT	115	1.34%																		
SAN GABRIEL COUNTRY CLUB	111	1.30%	100	1.28%																
TENDER CARE HOME HEALTH	109	1.27%																		
PINE GROVE HEALTHCARE & WELLNESS CENTER (FORMERLY FERNVIEW CONVALESCENT HOSPITAL)	108	1.26%	103	1.32%	95	1.18%	88	1.14%	92	1.30%	90	1.29%	90	1.33%	97	1.47%	87	1.34%	74	1.23%
168 MARKET #803	107	1.25%																		
HAWAII SUPERMARKET	105	1.23%	120	1.54%	130	1.62%	120	1.55%	139	1.96%	125	1.79%	121	1.79%	121	1.83%	121	1.87%	136	2.27%
VISTA COVE CARE CENTER	104	1.22%	104	1.33%	103	1.28%	99	1.28%	87	1.23%	95	1.36%	109	1.61%	97	1.47%	93	1.43%	92	1.53%
BOILING POINT CORPORATION	88	1.03%																		
SOUTHERN CAL SERVICES	86	1.01%	86	1.10%	85	1.06%	100	1.29%	98	1.38%	100	1.43%	71	1.05%	59	0.89%	62	0.96%	80	1.33%
MISSION LODGE SANITARIUM	81	0.95%	96	1.23%	87	1.08%	98	1.27%	110	1.55%	105	1.50%	98	1.45%	106	1.61%	116	1.79%	111	1.85%
LANDWIN HOSPITALITY LLC	76	0.89%	70	0.90%	80	1.00%	180	2.33%	184	2.59%	137	1.96%	18	0.27%	-	0.00%	-	0.00%	-	0.00%
MARCO'S AUTO BODY, INC.	68	0.79%	61	0.78%	65	0.81%	70	0.91%	97	1.37%	89	1.28%	76	1.12%	73	1.11%	76	1.17%	76	1.27%

Source: City Finance Department

City of San Gabriel
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

TABLE 13

<u>Function/Program</u>	Full-time Equivalent Employees									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Management services	7	7	6	7	7	7	7	7	7	6
Finance	7	8	9	9	8	8	8	7	7	7
Planning	4	4	3	4	4	4	4	4	4	4
Building	4	4	4	4	2	2	2	2	1	2
Other	5	5	4	5	5	6	4	5	5	5
Police										
Officers	52	53	54	57	60	54	53	54	53	50
Civilians	14	14	15	14	13	14	14	12	15	15
Fire										
Firefighters and officers	29	30	33	33	33	31	33	32	34	33
Civilians	1	1	1	2	2	2	2	2	2	2
Highways and streets										
Engineering	3	3	2	3	2	2	2	1	1	1
Maintenance	17	17	17	17	16	16	19	19	19	17
Redevelopment	1	1	1	2	2	0	1	1	1	1
Parks and recreation	21	21	22	17	22	20	21	21	21	21
Total	165	168	171	174	176	166	170	167	170	164

Source: City Finance Department

City of San Gabriel
Operating Indicators by Function/Program
Last Ten Fiscal Years

TABLE 14

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Building permits issued	1,517	1,349	1,355	1,344	1,773	1,648	1,293	1,868	1,998	2,026
Building inspections conducted	5,256	5,143	5,381	5,396	5,956	5,947	4,671	6,868	9,002	6,723
Police										
Physical arrests	691	825	722	670	652	598	868	907	727	664
Parking violations	18,196	18,196	17,165	14,870	12,731	13,836	12,432	8,599	9,919	12,288
Traffic violations	9,400	9,400	10,001	7,783	7,136	4,865	7,456	7,008	9,078	7,632
Fire										
Emergency responses	2,300	2,102	2,008	2,125	2,173	2,331	1,805	2,234	2,177	2,127
Inspections	2,173	2,638	2,615	2,619	2,448	2,420	2,423	2,062	1,877	2,423
Highways and streets										
Street resurfacing (miles)	10.3	1.0	3.0	10.8	0.8	0.0	0.0	3.1	1.5	1.5
Potholes repaired	2,050	2,100	1,600	1,400	1,880	1,920	2,304	2,112	1,920	1,728
Culture and recreation										
Classes offered	326	352	352	266	294	285	289	362	383	323
Facility rentals	55	52	51	48	50	45	35	33	41	30

Source: City Finance Department

City of San Gabriel
Capital Asset Statistics by Function
Last Ten Fiscal Years

TABLE 15

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	35	27	26	26	27	27	27	27	27	26
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	72	72	72	72	72	72	72	72	72	72
Streetlights	800	800	800	800	800	800	800	780	765	750
Traffic signals	915	915	915	915	915	915	915	915	915	915
Culture and recreation										
Parks acreage	25	25	25	25	25	25	25	25	25	25
Parks	4	4	4	4	4	4	4	4	4	4
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2	2

Source: City Finance Department

**SCHEDULE OF
FINDINGS**

City of San Gabriel
Schedule of Findings
For the year ended June 30, 2012

2012-1 Prior Period Adjustment

Criteria:

The establishment and maintenance of accurate accounting records for capital assets are necessary to help assure that the City's property, plant and equipment are not stolen, misused or subject to undue wear and tear. In addition, these records are needed for compliance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management Discussion and Analysis.

Condition:

We performed audit procedures surrounding capital outlay expenditure reports and noted amounts for construction projects that had not been capitalized. We inquired with City personnel and management regarding these capital projects and determined that construction in progress amounts were expensed in previous years that should have been capitalized. We also reviewed the capital asset schedule and noted that the City accounted for a single piece of land as land held for resale and as a capital asset. It was determined that the land was land held for resale and should have not been recorded as a capital asset as well.

A prior period adjustment in the amount of \$1,332,107 was required to be recorded to appropriately state the opening capital asset balance reported in the government wide financial statements in order to remove the capital asset that was also recorded as property held for resale and to capitalize amounts previously expensed that should have been recorded as construction in progress.

Effect:

Capital asset records which are not reliable could result in inaccurate financial reporting.

Cause:

The cause is a lack of oversight and procedures to ensure that capital asset records are properly maintained and reconciled to the amounts reflected in the books and records.

Recommendation:

Supervisory staff of the Finance Department should be taking an active role in the oversight of the record maintenance and reporting in this area since the City's net capital assets as of June 30, 2012, were in excess of \$40 million.

We recommend that work performed by personnel in the Finance Department be reviewed by supervisory personnel on a monthly basis to ensure that all assets above the capitalization threshold are captured and properly recorded in the records. A reconciliation should be performed to ensure the subsidiary ledger is in agreement to the amounts reflected on the general ledger and that all capital outlay accounts are properly reviewed for assets that may require to be capitalized.

City of San Gabriel
Schedule of Findings, Continued
For the year ended June 30, 2012

2012-1 Prior Period Adjustment, Continued

Views of Responsible Officials and Planned Corrective Action:

The City of San Gabriel's control of capital assets begins with the budgetary process and concludes with the annual audit. The current segregation of duties includes two Accountants, a Management Analyst, all under the review of the Finance Director. The City of San Gabriel conducts a physical annual audit which includes inspection of all capital assets, tagging of newly acquired capital assets, posting of capital assets to a sub-ledger by one accountant, which are reviewed and reconciled to the General Ledger by a different accountant, under the approval of the Finance Director. The City of San Gabriel having a strong regard for the authoritative standards set forth by Governmental Accounting Standards Board (GASB) in general, and GASB Statement 34 in particular, has endeavored to review its personnel deployment and internal control practices to ensure duties are better separated and procedures are in place for improved management oversight. Towards that end the City of San Gabriel has included in the 2012-13 Annual Budget the approval to reclassify the existing two Accountants to management level Financial Services Managers and to add a new full-time Accountant. Fulfillment of these Budgetary approvals is in direct response to the City of San Gabriel's commitment to ensure that the City's property, plant and equipment are not stolen, misused or subject to undue wear and tear.

City of San Gabriel
Schedule of Findings, Continued
For the year ended June 30, 2012

2012-2 Internal Control Over Financial Reporting

Criteria:

Prudent policies include a formal closing process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded. Accounting tasks such as monthly reconciliations, cross-checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements.

Condition:

As a result of our audit procedures, an unusually large number of journal entries, many of which were significant, were required to be proposed by us to present the financial statements appropriately. Also, there were entries that were provided by the City as a result of investigations by City personnel based on our inquiries. Some of these entries were made to correct bookkeeping errors and other adjustments that should have been made by the Finance Department prior to providing us with final trial balances. In total there were 19 audit adjusting journal entries posted in the current year.

Effect:

Material misstatements were recorded in the books and records of the City. As a result, reports presented to the City Council and others may not be accurate and can result in erroneous decisions

Cause:

The primary cause of the conditions noted above was due to the dissolution of the City's Redevelopment Agency in the current year and the related accounting transactions, where the City was short staffed and the accounting for the dissolution was complex at times. Additionally, some entries were caused by the personnel not posting usual year end entries in a timely manner before the start of the audit fieldwork.

Recommendation:

We recommend that employees responsible for the books and records and approval of journal entries be provided with more thorough training regarding any new GASB pronouncements or unusual accounting transactions to improve and/or acquire different skills concerning the complexities of accounting, year-end closing procedures, and the preparation of supporting schedules for balances recorded in the general ledger at year-end. This training will lead to employees who are more efficient, effective, and communicative with regard to accounting and financial matters. Also, future financial statements will be more accurate and timely.

We also believe that a review and evaluation of transactions recorded at month end and year end should be performed to ensure the validity of amounts recorded, as well as reduce audit time. We recommend a detailed general ledger account analysis be performed on a monthly basis and reviewed by supervisory Finance Department staff to ensure accurate recording of transactions. This review should include a review of any subsidiary ledgers to ensure agreement with the general ledger account balance and establishment of any necessary estimates. Further, all adjusting journal entries should be approved by a designated

City of San Gabriel
Schedule of Findings, Continued
For the year ended June 30, 2012

2012-2 Internal Control Over Financial Reporting, Continued

supervisory Finance Department employee who possesses the appropriate skill set. Finance Department supervisory personnel should also perform an analytical review of account balances with the prior year balances prior to closing the books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required.

Views of Responsible Officials and Planned Corrective Action:

The City of San Gabriel's internal controls over financial reporting begins with the budgetary process and concludes with the annual audit. The current segregation of fulltime personnel includes a Director of Finance, two Accountants, a Management Analyst, a Payroll Specialist, a Revenue Collection Administrator and two Finance Clerk II's. The City of San Gabriel uses the current deployment of personnel to ensure that all revenues, grants, disbursements, assets and liabilities are properly accounted for. Specifically, this personnel deployment maintains the general ledger, processes payroll and vendor disbursements, and provides fiscal management and support. The City of San Gabriel having a strong regard for the authoritative standards set forth by Governmental Accounting Standards Board (GASB) in general, and GASB Statement 34 in particular, has endeavored to review its personnel deployment and internal control practices to ensure duties are better separated and procedures are in place for improved management oversight. Towards that end the City of San Gabriel has included in the 2012-13 Annual Budget the approval to reclassify the existing two Accountants to management level Financial Services Managers and to add a new full-time Accountant. Fulfillment of these Budgetary approvals is in direct response to the City of San Gabriel's commitment to ensure that the City maintains a formal closing process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded.