

City of Maywood

Annual Financial Report

June 30, 2012

**City of Maywood
Annual Financial Report
Year Ended June 30, 2012**

Table of Contents

Independent Auditors' Report	1 - 2
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5 - 6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8 - 9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Fiduciary Fund Statements	
Statement of Fiduciary Net Assets	11
Statement of Changes in Fiduciary Net Assets	12
Notes to Financial Statements	13 - 36
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	37
Gas Tax Special Revenue Fund	38
HCDA Grant Special Revenue Fund	39
Notes to Required Supplementary Information	40
Supplementary Information:	
Non-Major Special Revenue Funds	41
Combining Balance Sheet	42 - 43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	44 - 45
Statement of Changes in Net Assets - Agency Funds	46



Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Maywood, California

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Maywood, California, 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 financial statements are the responsibility of the management of the City of Maywood.

The City did not adopt the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require local governments to have an actuarial valuation completed for their *Other Postemployment Benefits* (OPEB) liability and to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. The amount by which this departure would affect the liabilities, expenses, and net assets of the governmental activities is not reasonably determinable.

Due to the inability to assess the affects GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* could have on the financial statements as described in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements as referred to in the first paragraph.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 13, the City has suffered substantial recurring losses in its General Fund resulting in a deficit fund balance, a deficit in unrestricted net assets of the governmental activities and deficits in other special revenue funds. Also, those funds lack liquid resources available to meet obligations as they become due, which raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regards to those matters are also described in Note 13. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or amounts and classifications of liabilities that might result should the City become unable to continue as a going concern.

As discussed in note 15 to the financial statements, there have been recent changes in legislation affecting redevelopment agencies in the State of California which required the dissolution of redevelopment agencies as of February 1, 2012, including the Community Development Commission. The validity of advances payable to the City's General Fund of \$3,189,855 and HCDA Grant Fund of \$813,623 from the Successor Agency Private-purpose Trust Fund to the Former Community Development Commission, and the repayment of a portion of the advances to the General Fund of \$1,100,000 in the 2010-11 and \$1,500,000 in the 2011-12 fiscal years is uncertain, due to the provisions in the State's Assembly Bill X1 26.

BASIC FINANCIAL STATEMENTS

**City of Maywood
Statement of Activities
Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Contributions and Grants	Governmental Activities
Governmental Activities:					
General Government	\$ 3,795,621	\$ 170,523	\$ -	\$ -	\$ (3,625,098)
Public Safety	4,074,561	379,566	201,816	-	(3,493,179)
Community Development	1,460,881	11,600	-	624,877	(824,404)
Parks and Recreation	718,892	221,523	-	-	(497,369)
Public Works	2,031,667	319,626	635,729	1,503,951	427,639
Interest and Fiscal Charges	994,951	-	-	-	(994,951)
Total Governmental Activities	\$ 13,076,573	\$ 1,102,838	\$ 837,545	\$ 2,128,828	(9,007,362)

General Revenues:

Taxes:

Property taxes, Levied for General Purposes, Net of Pass-throughs	1,794,351
Transient Occupancy Taxes	31,942
Sales Taxes	1,220,534
Franchise Taxes	329,888
Utility User Taxes	992,039
Other Taxes	16,092
Motor Vehicle in Lieu, Unrestricted	2,190,685
Use of Money and Property	38,910
Other	61,490

Total General Revenues 6,675,931

Extraordinary Gain 17,014,013

Change in Net Assets 14,682,582

Net Assets - Beginning of Year 17,380,314

Net Assets - End of Year \$ 32,062,896

<u>Debt Service Community Development Commission</u>	<u>Capital Projects Community Development Commission</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 3,140,921	\$ 4,662,940
-	-	-	265,423
-	-	-	302,605
-	-	35,143	747,509
-	-	-	118,154
-	-	730	250,591
-	-	-	4,003,478
-	-	-	30,724
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,176,794</u>	<u>\$ 10,381,424</u>
\$ -	\$ -	\$ 97,626	\$ 1,527,661
-	-	-	43,614
-	-	60,113	250,591
-	-	-	5,807,371
-	-	157,739	7,629,237
-	-	-	1,130,724
-	-	3,019,055	5,035,723
-	-	-	-
-	-	-	-
-	-	-	(3,414,260)
-	-	3,019,055	2,752,187
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,176,794</u>	<u>\$ 10,381,424</u>

THIS PAGE INTENTIONALLY LEFT BLANK

<u>Debt Service</u>	<u>Capital Projects</u>		
Community Development Commission	Community Development Commission	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,241,023	\$ -	\$ 1,157,230	\$ 6,383,026
-	-	-	378,182
-	-	100,000	3,117,361
-	-	179,658	356,739
11	-	13	51,751
-	-	-	305,151
7,704	-	18,090	51,426
<u>1,248,738</u>	<u>-</u>	<u>1,454,991</u>	<u>10,643,636</u>
-	-	-	2,685,710
-	-	-	3,349,720
33,165	142,575	424,027	1,010,856
-	-	-	619,067
-	-	190,963	646,353
-	-	160,404	337,489
425,000	-	-	465,000
112,536	-	-	112,536
794,381	-	-	1,009,221
<u>1,365,082</u>	<u>142,575</u>	<u>775,394</u>	<u>10,235,952</u>
<u>(116,344)</u>	<u>(142,575)</u>	<u>679,597</u>	<u>407,684</u>
-	-	9,117	490,954
-	-	(481,837)	(490,954)
-	-	(472,720)	-
<u>(6,908,721)</u>	<u>5,930,081</u>	<u>-</u>	<u>(978,640)</u>
(7,025,065)	5,787,506	206,877	(570,956)
7,382,722	(5,787,506)	2,812,178	3,650,882
<u>(357,657)</u>	<u>-</u>	<u>-</u>	<u>(327,739)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,019,055</u>	<u>\$ 2,752,187</u>

The accompanying notes are an integral part of this statement.

**City of Maywood
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	Successor Agency Private-purpose Trust Fund	Agency Funds
ASSETS		
Cash and Investments	\$ 2,692,334	\$ 109,605
Cash with Fiscal Agent	1,572,709	-
Notes Receivable	207,704	-
Land Held for Resale	1,780,000	-
Deferred Charges	805,141	-
	<u>7,057,888</u>	<u>\$ 109,605</u>
Total Assets		
LIABILITIES		
Accounts Payable	13,875	\$ -
Deposits Payable	-	109,605
Due to City of Maywood	161,346	-
Advances from City of Maywood	4,003,478	-
Interest Payable	358,617	-
Bonds Payable	18,830,000	-
	<u>23,367,316</u>	<u>\$ 109,605</u>
Total Liabilities		
NET ASSETS		
Net Assets Held in Trust for Successor Agency	<u>\$ (16,309,428)</u>	

City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Maywood, California (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

A) Reporting Entity

The City of Maywood was incorporated on September 2, 1924, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. It is governed by an elected five member board.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities 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 organization is able to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable 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.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the interfund data of the City. The following organizations are considered to be component units of the City:

Maywood Community Development Commission

The Maywood Community Development Commission ("Commission") was established on May 16, 1978 by the City of Maywood pursuant to the State of California Health and Safety Code Section 33000 entitled "Community Redevelopment Law". The primary purpose of the Commission is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City Maywood. Even though the Commission is legally separate, it is reported as if it were part of the City because the City Council also services as the governing board of the Commission. As described in Note 15 to the financial statements, the Maywood Community Development Commission was dissolved as of January 31, 2012 in accordance with AB 1X 26.

City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus and Basis of Accounting - Continued

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 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 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 fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds: Governmental funds are presented using the *modified-accrual basis of accounting* in the fund financial statements. 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 60 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 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 when cash is received by the government.

Revenue recognition is subject to the *measurable* and *available* 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* (special assessments) are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* (special fees) transactions are

City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Fund Classifications - Continued

Gas Tax Special Revenue Fund

This fund is used to account for the revenues and expenditures of the City's proportionate share of gas tax monies collected by the State of California which are used for street construction and maintenance.

HCDA Grant Special Revenue Fund

This fund is used to account for the revenues and expenditures of the City's proportionate share of funds from the Housing Community Development Authority for street improvements, housing programs and incentives, sidewalk repair program, fair housing, code enforcement, and other related projects.

Community Development Commission Debt Service Fund

This fund is used to account for the payment of principal and interest of bond indebtedness. It accounts for tax increment received by the Commission that is restricted for repayment of indebtedness.

The Community Development Commission Capital Projects Fund

This fund is used to account for the financing, construction and administrative activities of the Commission.

Additionally, the City reports the following fund types:

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and Statement of Changes in Fiduciary Net Assets. The fiduciary fund is used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

The City's fiduciary funds include an agency fund and private-purpose trust fund. The agency fund uses the accrual basis of accounting to account for developer deposits. The agency fund is custodial in nature (assets equal liabilities) and therefore does not involve measurement of results of operations. The private-purpose trust fund accounts for the wind-down activities of the Maywood Community Development Commission.

D) Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

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, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. 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 balance.

City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net assets in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period in the fund financial statements. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I) Classification of Net Assets and Fund Balance

A) Net Assets

In the Government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets which is represented by the current net book value, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the City that are not externally restricted for any project or other purpose.

B) Fund Balance

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Classification of Net Assets and Fund Balance - Continued

B) Fund Balance - Continued

The City's governmental fund balances at June 30, 2012, are presented below:

	General Fund	Gas Tax Fund	HCDA Grant Fund	Nonmajor Funds	Total
Nonspendable:					
Prepaid Items	\$ 30,724	\$	\$	\$	\$ 30,724
Advances paid from CDC	1,100,000				1,100,000
Restricted for:					
Community Development				101,698	101,698
Debt Service	265,423				265,423
Public Works		1,751,245		2,817,357	4,568,602
Public Safety				100,000	100,000
Committed to:					-
Assigned to:					-
Unassigned:	(3,394,527)		(19,733)		(3,414,260)
Total Fund Balance	<u>\$ (1,998,380)</u>	<u>\$ 1,751,245</u>	<u>\$ (19,733)</u>	<u>\$ 3,019,055</u>	<u>\$ 2,752,187</u>

J) 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 tax calendar is as follows:

Lien Date	January 1 st	
Levy Date	July 1 st	
Due Date	First Installment – November 1 st	Second Installment – March 1 st
Delinquent Date	First Installment – December 11 th	Second Installment – April 11 th

Taxes are collected by Los Angeles County and are remitted to the City periodically. Dates and percentages are as follows:

December 10 th	30% Advance
January 16 th	Collection No. 1
April 10 th	10% Advance
May 15 th	Collection No. 2
July 31 st	Collection No. 3

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

2) CASH AND INVESTMENTS - Continued

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer*
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	10%
Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	270 days	None	None
Investment Contracts	30 years	None	None
Municipal Obligations	None	None	None

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

2) CASH AND INVESTMENTS - Continued

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 government 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.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Current interfund receivables and payables as of June 30, 2012 are as follows:

Receivable Fund	Payable Fund	Amount
Gas Tax	Non-Major Governmental Funds	\$ 59,383
	General Fund	101,067
	HCDA Grant Fund	89,411
Non-Major Governmental Funds	Non-Major Governmental Funds	<u>730</u>
	TOTAL	<u><u>\$ 250,591</u></u>

City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012

4) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated:				
Land	\$ 5,247,570	\$ -	\$ -	\$ 5,247,570
Construction in Progress	100,499	-	-	100,499
Total Capital Assets Not Depreciated	5,348,069	-	-	5,348,069
Capital Assets, Being Depreciated:				
Buildings	12,996,865	-	-	12,996,865
Land Improvements	88,803	-	-	88,803
Machinery and Equipment	658,339	-	-	658,339
Vehicles	341,804	-	-	341,804
Infrastructure	47,711,048	-	-	47,711,048
Total Capital Assets Being Depreciated	61,796,859	-	-	61,796,859
Less Accumulated Depreciation:				
Buildings	\$ 2,005,522	\$ 256,394	\$ -	\$ 2,261,916
Land Improvements	37,070	2,955	-	40,025
Machinery and Equipment	493,405	43,661	-	537,066
Vehicles	295,308	14,149	-	309,457
Infrastructure	24,486,442	1,304,495	-	25,790,937
Total Accumulated Depreciation	27,317,747	1,621,654	-	28,939,401
Total Capital Assets Being Depreciated, Net	34,479,112	(1,621,654)	-	32,857,458
Governmental Activities Capital Assets, Net	\$ 39,827,181	\$ (1,621,654)	\$ -	\$ 38,205,527

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

General Government	\$ 105,231
Public Works	1,385,314
Public Safety	31,284
Parks and Recreation	99,825
	<u>\$ 1,621,654</u>

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

7) INSTALLMENT AGREEMENT

The City of Maywood has entered into an installment agreement with the California Joint Powers Insurance Authority for the repayment of a portion of the City's unpaid 2009-10 Rolling Retro Net Deposit/(Refund) owed to the Authority. This agreement reflects the City's accrued responsibility for risk management costs incurred as of June 30, 2010. Accordingly, the risk management obligation has been reflected as a liability of the City. Under the terms of the installment agreement, the City will make eight quarterly payments to the Authority, including interest at a rate of 3% per annum. The following are the payments required per the installment agreement:

- \$32,000 on or before 09/01/12
- \$34,000 on or before 12/01/12

8) FIDUCIARY FUND LONG-TERM DEBT

2007 Tax Allocation Bonds

On May 1, 2007, the Community Development Commission of the City of Maywood issued \$21,650,000 in Tax Allocation Bonds, Series 2007. The 2007 Series proceeds were used to refund the Commission's \$8,485,000 Variable Rate Demand Tax Allocation Bonds, to fund certain redevelopment projects within the project area and to finance and pay bond issuance costs. These projects consist of property acquisitions, sewer improvements, street improvements, and recreational improvements. The 2007 Bonds will mature on August 1, 2037. Interest on the 2007 Series Bonds is payable on February 1 and August 1 of each year. The long-term debt is now reported in the Successor Agency Private-purpose Trust Fund in the Statement of Fiduciary Net Assets. See Note 15 for additional information on the dissolution of the Community Development Commission.

Future principal and interest payment on the 2007 Tax Allocation Bonds are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 440,000	\$ 852,705
2014	460,000	835,990
2015	475,000	817,750
2016	495,000	798,350
2017	515,000	778,150
2018 - 2022	2,520,000	3,573,966
2023 - 2027	2,955,000	2,978,841
2028 - 2032	4,365,000	2,142,325
2033 - 2037	5,445,000	915,662
2038	1,160,000	27,175
	<u>\$ 18,830,000</u>	<u>\$ 13,720,914</u>

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

10) CITY EMPLOYEE RETIREMENT PLANS

Miscellaneous Plan and Safety Plan:

Plan Description

The City of Maywood contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute a percentage of their annual covered salary. The City of Maywood pays the member contributions of 7% for the Miscellaneous Plan. Because the City of Maywood no longer has a police department as of 7/1/2010, there were no contributions to the Safety Plan. The City is also required to make additional contributions at an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 8.672% for the Miscellaneous Plan. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three year trend information for the City of Maywood Miscellaneous Employees' Retirement Plan

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percent Contributed</u>
6/30/10	\$ 113,451	100%
6/30/11	\$ 133,867	100%
6/30/12	\$ 189,003	100%

Three year trend information for the City of Maywood Safety Employees' Retirement Plan

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 851,586	100%	\$ -
6/30/11	N/A	100%	\$ -
6/30/12	\$ 693,557	0%	\$ 693,557

During the fiscal year ended June 30, 2011, the Safety Plan of the City became inactive. The plan is now part of an inactive pool subject to future gains and losses. The City's current year required contribution for the inactive plan was \$693,557.

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

12) POST-RETIREMENT HEALTH INSURANCE

In addition to the pension benefits described in Notes 10 and 11, the City provides certain health insurance benefits, in accordance with City ordinances and resolutions, to all Council Members, their spouses and dependent children; and to any employee holding the position of the Chief Administrative Officer, his/her dependent spouse and dependent children. Council members may become eligible for the benefits if they have served in office after January 1, 1981, and whose total service was no less than 12 years. The Chief Administrative Officer may become eligible for the benefits if he or she retires from the City after 20 years of service. Public safety employees are entitled to medical coverage upon retirement, including spouse, after total service in public safety is at least 20 years. Miscellaneous employees are entitled to medical coverage upon retirement if service exceeds 25 years. For fiscal year 2011-2012, the City recognized the cost of providing those benefits by expensing \$120,263 which was the premium paid by the City of Maywood for 15 retirees.

13) CITY'S FINANCIAL CONDITION AND MANAGEMENT PLANS

General Fund of the City of Maywood

The General Fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. As of June 30, 2012, the general fund has a deficit of \$1,998,380. Furthermore, the General Fund has significant accounts payable at year end, indicating significant liquidity problems at June 30, 2012. As described in Note 3, the City's general fund had made significant advances to the Commission. Due to the dissolution of the Commission as of January 31, 2012, it is uncertain when and whether the Commission will be allowed or able to repay these advances. In addition, as of June 30, 2012, the Commission has made repayments of \$2,600,000 to the City's General Fund. It is not certain whether these repayments will be upheld or will need to be returned to the Successor Agency, in accordance with State law. As of June 30, 2012 the General Fund does not have sufficient cash to repay these amounts to the Successor Agency, if required by the State.

Management's Plan to Improve the City's Financial Position

The City Administration continues to work on improving the City's fiscal position with primary focus on the health of the General Fund. In February 2011, the City of Maywood held its first strategic planning session since incorporation. As a result of the strategic planning session, four goals were identified as the City's top priority over the next two years. The four goals include: Stabilize the City's Finances, Increase Organizational Effectiveness and Efficiency, Improve the Maintenance of the Infrastructure and Facilities, and improve internal and external communications. The City Council and management staff with the assistance of an independent facilitator meet every six months to review the progress of the strategic plan and establish the next set of objectives.

Fiscal Year 2011 marked the first year in several years that the General Fund expenditures did not exceed revenues. Staff is committed to continue on its mission of applying prudent fiscal management practices and will continue to monitor the City's cash flow on a monthly basis. In addition, Staff has developed standard

**City of Maywood
Notes to Financial Statements
Year Ended June 30, 2012**

**15) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER COMMUNITY DEVELOPMENT
COMMISSION - Continued**

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. The State Controller Office review has been done and is currently in a draft stage pending action by the Department of Finance on State Controller Office mandated actions.

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 several months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or 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 as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Private-purpose Trust Fund	\$ 978,640
Unamortized bond issuance cost reported in the government-wide financial statements - increase to net assets of the Successor Agency Private-purpose Trust Fund	837,347
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Private-purpose Trust Fund	<u>(18,830,000)</u>
Net decrease to net assets of the Successor Agency Private-purpose Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$(17,014,013)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Maywood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 805,600	\$ 805,600	\$ 835,967	\$ 30,367
Use of Money and Property	-	-	-	-
Total Revenues	<u>805,600</u>	<u>805,600</u>	<u>835,967</u>	<u>30,367</u>
EXPENDITURES				
Current:				
Public Works	303,760	303,760	310,684	(6,924)
Capital Outlay	-	-	-	-
Total Expenditures	<u>303,760</u>	<u>303,760</u>	<u>310,684</u>	<u>(6,924)</u>
Excess of Revenues Over (Under) Expenditures	<u>501,840</u>	<u>501,840</u>	<u>525,283</u>	<u>23,443</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	481,837	481,837
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>481,837</u>	<u>481,837</u>
Change in Fund Balances	501,840	501,840	1,007,120	505,280
Fund Balances - Beginning of Year	744,125	744,125	744,125	
Prior Period Adjustment	-	-	-	-
Fund Balances - End of Year	<u>\$ 1,245,965</u>	<u>\$ 1,245,965</u>	<u>\$ 1,751,245</u>	<u>\$ 505,280</u>

City of Maywood
Notes to Required Supplementary Information
Year Ended June 30, 2012

BUDGETS AND BUDGETARY DATA

Before the beginning of the fiscal year, the Finance Director submits to the City Council a proposed budget for the year commencing the following July 1st. Public hearings are then conducted to obtain taxpayer comments and the budget is subsequently adopted through passage of a resolution.

All appropriated amounts are as originally adopted or as amended by the City Council and lapse at year-end. Encumbrances and continuing appropriations are rebudgeted on July 1st by Council action. Original appropriations may be modified by supplementary budget revisions and transfers among budget categories. The City Council approves all budget changes at the department level. The Finance Director is authorized to make budget transfers within departments. There were no significant budget amendments during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for the general fund, and certain special revenue, debt service and capital projects funds. Budgets for these funds are adopted on a basis consistent with generally accepted accounting principles.

At June 30, 2012, expenditures exceeded appropriations in the General Fund by \$434,796.

**City of Maywood
Nonmajor Governmental Funds**

SPECIAL REVENUE FUNDS

Measure R - To account for the revenues and expenditures of Measure R activities.

Prop 1B - To account for the revenues and expenditures of Prop 1B activities.

Bikeway Grant - To account for the revenues and expenditures of the City's share of Transportation Development Act allocations restricted for design and construction of pedestrian and bicycle facilities and amenities.

Proposition A - To account for the revenues and expenditures of the City's proportionate share of funds from the Metropolitan Transportation Authority funded by the ½ cent sales tax measure to be used exclusively to benefit public transit (such as fixed route and paratransit services and transportation demand management).

Proposition C - To account for the revenues and expenditures of the City's proportionate share of funds from the Metropolitan Transportation Authority funded by the ½ cent sales tax measure to be used for eligible project expenditures (such as congestion management programs, bikeways and bike lanes, and pavement management system).

Section 108 Loan - To account for revenues and expenditures related to the HUD Section 108 Loan.

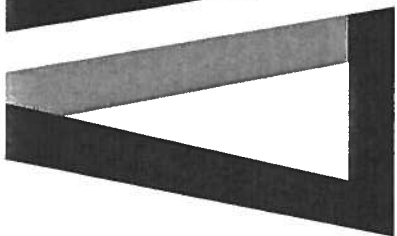
Air Quality (AB2766/AQMD) - To account for the revenues and expenditures related to air pollution mitigation efforts.

COPS AB 3229 - To account for the revenues and expenditures of the City's grant funds to provide knowledge, resources products, and learning for police personnel.

Street Lighting - To account for the revenues of the City's special assessments and expenditures relating to lighting improvements.

<u>Proposition C</u>	<u>Section 108 Loan</u>	<u>Air Quality Improvement</u>	<u>COPS AB 3229</u>	<u>Street Lighting</u>	<u>Total</u>
\$ 1,083,585	\$ 101,698	\$ 10,558	\$ 112,706	\$ 632,293	\$ 3,140,921
-	-	8,510	-	-	35,143
-	-	730	-	-	730
<u>\$ 1,083,585</u>	<u>\$ 101,698</u>	<u>\$ 19,798</u>	<u>\$ 112,706</u>	<u>\$ 632,293</u>	<u>\$ 3,176,794</u>
\$ 88,079	\$ -	\$ -	\$ -	\$ 9,547	\$ 97,626
-	-	-	-	-	-
-	-	-	12,706	47,407	60,113
-	-	-	-	-	-
<u>88,079</u>	<u>-</u>	<u>-</u>	<u>12,706</u>	<u>56,954</u>	<u>157,739</u>
-	-	-	-	-	-
995,506	101,698	19,798	100,000	575,339	3,019,055
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>995,506</u>	<u>101,698</u>	<u>19,798</u>	<u>100,000</u>	<u>575,339</u>	<u>3,019,055</u>
<u>\$ 1,083,585</u>	<u>\$ 101,698</u>	<u>\$ 19,798</u>	<u>\$ 112,706</u>	<u>\$ 632,293</u>	<u>\$ 3,176,794</u>

Proposition C	Section 108 Loan	Air Quality Improvement	COPS AB 3229	Street Lighting	Total
\$ 364,462	\$ -	\$ 41,616	\$ -	\$ -	\$ 1,157,230
-	-	-	100,000	-	100,000
11,600	-	-	-	168,058	179,658
5	-	-	-	-	13
-	-	-	-	-	-
-	-	-	-	-	18,090
<u>376,067</u>	<u>-</u>	<u>41,616</u>	<u>100,000</u>	<u>168,058</u>	<u>1,454,991</u>
-	-	-	-	-	-
-	-	-	-	-	-
424,027	-	-	-	-	424,027
-	-	-	-	-	-
-	-	-	-	180,963	190,963
160,404	-	-	-	-	160,404
-	-	-	-	-	-
-	-	-	-	-	-
<u>584,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,963</u>	<u>775,394</u>
<u>(208,364)</u>	<u>-</u>	<u>41,616</u>	<u>100,000</u>	<u>(12,905)</u>	<u>679,597</u>
-	-	9,117	-	-	9,117
-	-	-	-	-	(481,837)
-	-	9,117	-	-	(472,720)
(208,364)	-	50,733	100,000	(12,905)	206,877
1,203,870	101,698	(30,935)	-	588,244	2,812,178
-	-	-	-	-	-
<u>\$ 995,506</u>	<u>\$ 101,698</u>	<u>\$ 19,798</u>	<u>\$ 100,000</u>	<u>\$ 575,339</u>	<u>\$ 3,019,055</u>



VAF Van Lant &
Fankhanel, LLP
— Certified Public Accountants —