

City of Clayton

Clayton, California

*Basic Financial Statements
and Independent Auditors' Report*

For the fiscal year ended June 30, 2011

City of Clayton
Basic Financial Statements
June 30, 2011
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Clayton, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clayton, California, (City) as of June 30, 2011, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clayton, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with *Government Auditing Standards*, we have issued our report dated January 7, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 *Management's Discussion and Analysis* and required supplementary information, as listed in the table of contents, 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 evidence sufficient 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 of Clayton's basic financial statements. The combining and fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate 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.


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA
January 7, 2013

Management of the City of Clayton (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for its fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the additional information that is furnished with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government -Wide Highlights

Net Assets - The assets of the City of Clayton exceeded its liabilities at the close of the most recent fiscal year by \$43,412,061. Of this amount, \$14,823,521 was reported as "unrestricted net assets" and may be used to meet the ongoing obligations to citizens and creditors.

Changes in Net Assets - The City's total net assets increased by \$838,555 in fiscal year 2011. Net assets of governmental activities increased by \$971,525, while net assets of business type activities decreased by \$(132,970).

Major Fund Highlights

Governmental Funds - As of the close of fiscal year 2011, the City's governmental funds reported a combined ending fund balance of \$17,766,270. Of this amount \$00 represents "unreserved fund balances" (or working equity) available for appropriation.

General Fund - The unassigned fund balance of the general fund on June 30, 2011 was \$ 5,229,784, while the assigned fund balance was \$46,704. The reporting of fund balances has changed due to a Governmental Accounting Standards Board (GASB 54) change in fiscal year ending 2010-11 that requires management restrict, commit, assign, indicate unassigned balances or nonspendable balances in the fund balance. In the past the management recorded the fund balances as reserved, unreserved and designated for contingencies, or unreserved, undesignated.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Clayton's basic financial statements. The City of Clayton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011**

The *statement of net assets* presents information on all of the City of Clayton's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Clayton is improving or deteriorating.

The *statement of activities* presents information showing how the City's *net assets* changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Clayton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Clayton include general government, public safety, public works, parks and library. The business-type activities of the City of Clayton include the Community Gym and Endeavor Hall.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Clayton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Clayton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Clayton maintains seventeen individual governmental funds. Information is presented separately in the government funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, RDA Capital Projects Fund, RDA Low/Moderate Capital Projects Fund, Capital Improvements Fund, and RDA Debt Service Fund, all of which are considered to be major funds.

Proprietary Funds

The City of Clayton maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Clayton uses enterprise funds to account for its Community Gym and Endeavor Hall activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Clayton various functions. City of Clayton uses internal service funds to account for its capital equipment replacement program and its self-insurance liabilities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Both of these enterprise funds are considered to be major funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Clayton's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Clayton's progress in funding its obligation to provide pension benefits to its employees and budgetary information for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Clayton, assets exceeded liabilities by \$43,412,061 at the close of the most recent fiscal year. This is an increase of \$ 838,555 or 2% from the previous fiscal year.

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011**

The largest portion of the City of Clayton's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Clayton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Clayton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is the condensed Statement of Net Assets for the fiscal year ended June 30, 2011:

	Governmental Activities 2011	Governmental Activities 2010	Business- Type Activities 2011	Business- Type Activities 2010	Total 2011	Total 2010
Current Assets	\$ 18,328,490	\$ 19,051,668	\$ (93,581)	\$ 158,535	\$ 18,234,909	\$ 19,210,203
Non-Current Assets	4,266,430	4,190,728	-	-	4,266,430	4,190,728
Capital Assets	27,398,220	27,879,151	1,394,950	1,263,280	28,793,170	29,142,431
Total Assets	\$ 49,993,140	\$ 51,121,547	\$ 1,301,369	\$ 1,421,815	\$ 51,294,509	\$ 52,543,362
Current Liabilities	\$ 1,857,172	\$ 1,740,705	\$ 18,099	\$ 5,575	\$ 1,875,271	\$ 1,746,280
Long-term Liabilities	6,007,177	8,223,576	-	-	6,007,177	8,223,576
Total Liabilities	7,864,349	9,964,281	18,099	5,575	7,882,448	9,969,856
Investment in Capital Assets, Net of Related Debt	\$ 20,953,220	\$ 19,239,151	\$ 1,394,950	\$ 1,431,018	\$ 22,348,170	\$ 20,670,169
Restricted	6,240,370	19,459,887	-	-	6,240,370	19,459,887
Unrestricted	14,935,201	2,458,228	(111,680)	(14,778)	14,823,521	2,443,450
Total Net Assets	\$ 42,128,791	\$ 41,157,266	\$ 1,283,270	\$ 1,416,240	\$ 43,412,061	\$ 42,573,506

A portion of the City of Clayton's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* \$14,823,521 may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Assets

The City's net assets have increased by \$838,555 or 2%, from the prior fiscal year. In fiscal year 2010-2011, City revenues, which include both governmental and business-type activities, totaled \$11,031,895 while expenses totaled \$10,193,340. Further analysis is provided within the governmental and business-type activity sections on the next page.

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011

City of Clayton's Statement of Activities and Changes in Net Assets for the fiscal year ended June 30, 2011:

	Governmental Activities 2011	Governmental Activities 2010	Business Type Activities 2011	Business Type Activities 2010	Total 2011	Total 2010
Revenues:						
Program revenues:						
Charges for services	\$ 698,733	\$ 528,847	\$ 26,202	\$ 102,799	\$ 724,935	\$ 631,646
Operating and Capital grants and contributions	494,148	129,746	-	167,738	494,148	297,484
Total program revenues	1,192,881	658,593	26,202	270,537	1,219,083	929,130
General revenues:						
Property taxes	6,698,149	6,856,430	-	-	6,698,149	6,856,430
Sales and other taxes	303,880	327,514	-	-	303,880	327,514
Special assessments	1,187,642	1,279,801	-	-	1,187,642	1,279,801
Other taxes	803,498	774,794	-	-	803,498	774,794
Investment income	335,205	490,207	276	(2,035)	335,481	488,172
Miscellaneous	477,402	847,460	60	-	477,462	847,460
Gain (loss) on sale of assets	6,700	7,000	-	-	6,700	7,000
Total general revenues	9,812,476	10,583,206	336	(2,035)	9,812,812	10,581,171
Total revenues	11,005,357	11,241,799	26,538	268,502	11,031,895	11,510,301
Expenses						
Legislative	59,000	59,942	-	-	59,000	59,942
Administrative	1,389,506	2,935,978	-	-	1,389,506	2,935,978
Community services and facilities	566,450	220,654	-	-	566,450	220,654
Community park	187,701	127,852	-	-	187,701	127,852
Economic development	214,151	459,392	-	-	214,151	459,392
General support	134,861	648,805	-	-	134,861	648,805
Police	1,841,028	1,864,978	-	-	1,841,028	1,864,978
Library	129,944	123,252	-	-	129,944	123,252
Engineering	91,218	101,973	-	-	91,218	101,973
Highway and streets	312,827	357,462	-	-	312,827	357,462
Landscape maintenance	2,521,689	822,353	-	-	2,521,689	822,353
Planning and development	2,171,344	3,283,844	-	-	2,171,344	3,283,844
Community gym	-	-	93,398	51,384	93,398	51,384
Endeavor hall	-	-	66,110	61,453	66,110	61,453
Total expenses	9,619,719	11,006,485	159,508	112,837	9,779,227	11,119,322
Increase in Net Assets before transfers and interest on long-term debt						
	1,385,638	235,314	(132,970)	155,665	1,252,668	390,979
Interest on Long-Term Debt	(414,113)	(591,236)	-	-	(414,113)	(591,236)
Transfers in (out)	-	-	-	-	-	-
Change in Net Assets	971,525	(355,922)	(132,970)	155,665	838,555	(200,257)
Net Assets - Beginning, restated	41,157,266	41,513,188	1,416,240	1,260,575	42,573,506	42,773,763
Net Assets - Ending	\$ 42,128,791	\$ 41,157,266	\$ 1,283,270	\$ 1,416,240	\$ 43,412,061	\$ 42,573,506

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011**

Governmental Activities

Governmental activities increased the City's net assets by \$971,525 while Business Type activities decreased the City's net assets by \$(132,970), leaving an increase in the City's total net assets of \$838,555. A comparison of the cost of services by function for the City's governmental activities is shown on the previous page, along with the revenues used to cover the net expenses of the governmental activities.

Total governmental expense activities were \$10,033,832 in fiscal year 2011 compared to \$11,597,721 in the prior year. The largest expenses were incurred for Landscape Maintenance (25%), Planning and Development (22%), and Police Services (18%). These three activities combined account for 65% of all general activity expenses. Landscape Maintenance activity incurred the largest expense totaling \$2,521,689. This was an increase of \$1,699,336 over the prior year activity. Police Support costs decreased by \$23,950 over the prior fiscal year.

Total program revenues from governmental activities were \$1,192,881 in fiscal year 2011. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. 59% of the governmental program revenues came from Charges for Services, which includes park use fees, rental fees, licenses and permits, plan checking fees, police service fees, planning services fees, and other revenues. The remaining 41% of the governmental program revenues came from grant funding. General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, motor vehicle in-lieu fees, investment earnings, special assessments, fines, franchise fees, use of money and property, service charges, and other revenues. Total general revenues from governmental activities were \$9,812,476, in fiscal year 2011 of which \$6,698,149 or 68% is related to property taxes.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As noted earlier, the City of Clayton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Clayton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Clayton's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Clayton's governmental funds reported combined ending fund balances of \$17,766,270. Of this amount \$12,536,486 (71%) is assigned for specific expenditures in the future and \$5,229,784 (29%) is unassigned.

The fund balance of the City of Clayton's general fund increased by \$190,025 during the current fiscal year due to surplus revenue over expenditures. Considering the volatility of the economy, we were fortunate to have a positive impact on our fund balance. While this could not have been possible without additional cost reduction due to staff furloughs, it shows that our City has a good handle on budgeting expenditures that align with available revenues.

Proprietary Funds

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

Unrestricted net assets of the Major Enterprise Funds at the end of the year amounted to \$(111,680), and those for the Internal Service Fund amounted to \$202,930. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Clayton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final general fund budget totaled \$3,656,609. There was one budget amendment to the originally adopted budget. The increase was for encumbrances from 2009-10 approved for \$235,389 which funded contractual obligations and outstanding purchases in this fiscal year.

General fund revenues exceeded budget by \$213,955 (7%). Staff was conservative in budgeting revenues given the economic condition in the spring of 2010 thus included in this increased revenue was \$34,404 (15.8%) for sales and use tax, \$12,476 (32%) for real property transfer tax, \$6,056 (10.7%) for Public Safety Allocation, \$20,312 (68%) for Motor Vehicle In-Lieu, \$22,880 (163%) for planning services, \$60,454 (71%) for interest earnings, and \$27,704 (100%) for other revenues.

General Fund expenditures were less than budgeted excluding encumbrances by \$206,398 showing our ability to spend precious resources wisely in a difficult economy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Clayton's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$28,793,170 (net accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corp yard building, and roads.

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

- Construction was completed on CIP 10409, a pavement resurfacing project and treatment on various streets throughout the City. The total cost of the project was \$903,104.

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011**

- Construction on CIP 10413 the Community Park Lighting, Resurfacing and Parking project was begun with a cost of \$209,371.
- Construction was begun on CIP 10416 the 2010 Old Marsh Creek Road Overlay Project with a cost of \$335,312.

Additional information on the City of Clayton's capital assets can be found in Note 5 of this report.

Debt Administration

At the end of the current fiscal year, the City had \$6,445,000 in debt outstanding all held in the Redevelopment Agency. The City has no outstanding general obligation debt. The Redevelopment Agency maintains a "AAA" rating for Tax Allocation Bonds from Standard & Poor's. Additional information on the City's long-term debt obligations can be found in Note 6 of the notes to the financial statements.

ECONOMIC CLIMATE

The City's budgetary history during the past 10 years clearly demonstrates an ability to provide necessary services within a limited and sometimes restrictive revenue source. There is a continued decrease in the General Fund's actual expenditure plan to \$3,656,609 a figure slightly more than in the fiscal year 2002/03 when the budget was adopted for \$3,537,893. Overall since 2000 expenditures have increased by 14% while during the same time period the consumer price index increased by 28.9%. At year end General Fund revenues (including transfers in) decreased by \$216,835 to \$3,852,252 compared to the prior fiscal year. By contrast General Fund revenues of \$3,826,391 in 2001 almost matched our current year revenues by \$25,764.

General Fund revenues, including transfers-in at June 30, 2011, exceeded expenditures by \$166,555. Overall since 2001 General Fund revenues have exceeded expenditures by \$6,416,304, accounting for its ability to increase its fund balance reserves yet still provide necessary services during times of economic turmoil. The difficulty facing the City over the next few years will be dependent upon how much more the State of California will continue to siphon local monies from the City coffers. This past fiscal year our City experienced the lowest Motor Vehicle In Lieu revenues in the past decade, due to the State ciphering at the local level. On a positive side, the City's unassigned fund balance \$5,229,784 is equal to 1234% of its annual General Fund operations for Fiscal Year 2010-11. Folding in the untouchable \$250,000 designation, an additional \$535,000 for advances to the Redevelopment Agency for Fire Station land (\$475,000), and to the Development Impact Fund for a sewer study (\$60,000), brings the total reserve equity to a position of 138% of its annual General Fund operations for Fiscal Year 2011-11.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Clayton's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Finance Manager, 6000 Heritage Trail, Clayton, California 94517.

FINANCIAL SECTION

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

City of Clayton
Statement of Net Assets
June 30, 2011

ASSETS	Governmental Activities	Business-Type Activites	Total
Current Assets:			
Cash and investments	\$15,965,803	\$ -	\$15,965,803
Cash and investments with fiscal agent	1,076,021	-	1,076,021
Accounts Receivable (net of allowances)	412,269	9,990	422,259
Taxes Receivable	2,280	-	2,280
Interest Receivable	630,545	1	630,546
Internal Balances	103,572	(103,572)	-
Investment in bonds	138,000	-	138,000
Total Current Assets	18,328,490	(93,581)	18,234,909
Noncurrent Assets:			
Notes Receivable	4,266,430	-	4,266,430
Nondepreciable assets	2,034,300	167,738	2,202,038
Depreciable assets, net	25,363,920	1,227,212	26,591,132
TOTAL ASSETS	49,993,140	1,301,369	51,294,509
LIABILITIES			
Accounts payable	361,430	1,700	363,130
Other payables	10,053	12,549	22,602
Deposits payable	-	3,850	3,850
Accrued payroll	35,579	-	35,579
Interest payable	194,404	-	194,404
Note payable	592,412	-	592,412
Long-term debt due within one year	610,000	-	610,000
Long-term debt due in more than one year	5,835,000	-	5,835,000
Compensated absences payable	172,177	-	172,177
OPEB Liability	53,294	-	53,294
TOTAL LIABILITIES	7,864,349	18,099	7,882,448
NET ASSETS			
Invested in capital assets, net of related debt	20,953,220	1,394,950	22,348,170
Debt service	1,076,021	-	1,076,021
Special projects and programs	5,164,349	-	5,164,349
Unrestricted	14,935,201	(111,680)	14,823,521
TOTAL NET ASSETS	\$42,128,791	\$ 1,283,270	\$43,412,061

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
Legislative	\$ 59,000	\$ 6	\$ -	\$ -	\$ (58,994)	\$ -	\$ (58,994)
Administrative	1,389,506	45,739	-	-	(1,343,767)	-	(1,343,767)
Community service and facilities	566,450	139,222	-	-	(427,228)	-	(427,228)
Community park	187,701	-	-	-	(187,701)	-	(187,701)
Economic development	214,151	-	6,577	-	(207,574)	-	(207,574)
Planning and development	2,171,344	270,845	-	-	(1,900,499)	-	(1,900,499)
General support	134,861	187,930	-	-	53,069	-	53,069
Police	1,841,028	24,064	115,032	-	(1,701,932)	-	(1,701,932)
Library	129,944	2,669	-	-	(127,275)	-	(127,275)
Engineering	91,218	28,258	-	-	(62,960)	-	(62,960)
Highway and streets	312,827	-	263,530	-	(49,297)	-	(49,297)
Landscape maintenance	2,521,689	-	109,009	-	(2,412,680)	-	(2,412,680)
Interest and fiscal charges	414,113	-	-	-	(414,113)	-	(414,113)
Total Governmental Activities	<u>10,033,832</u>	<u>698,733</u>	<u>494,148</u>	<u>-</u>	<u>(8,840,951)</u>	<u>-</u>	<u>(8,840,951)</u>
Business-Type Activities							
Community Gym	93,398	2,511	-	-	-	(90,887)	(90,887)
Endeavor Hall	66,110	23,691	-	-	-	(42,419)	(42,419)
Total Business-Type Activities	<u>159,508</u>	<u>26,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,306)</u>	<u>(133,306)</u>
Total Primary Government	<u>\$10,193,340</u>	<u>\$ 724,935</u>	<u>\$ 494,148</u>	<u>\$ -</u>	<u>(8,840,951)</u>	<u>(133,306)</u>	<u>(8,974,257)</u>
General revenues:							
Taxes:							
Property taxes					6,698,149	-	6,698,149
Sales taxes					303,880	-	303,880
Special assessments					1,187,642	-	1,187,642
Other taxes					803,498	-	803,498
Total Taxes					<u>8,993,169</u>	<u>-</u>	<u>8,993,169</u>
Investment income (loss)					335,205	276	335,481
Gain on sale of land held for resale					6,700	-	6,700
Miscellaneous					477,402	60	477,462
Total general revenues					<u>9,812,476</u>	<u>336</u>	<u>9,812,812</u>
Change in net assets					971,525	(132,970)	838,555
Net assets - beginning of year					<u>41,157,266</u>	<u>1,416,240</u>	<u>42,573,506</u>
Net assets - end of year					<u>\$42,128,791</u>	<u>\$ 1,283,270</u>	<u>\$43,412,061</u>

The accompanying notes are an integral part of the financial statements

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GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this fund are property taxes, sales taxes, unrestricted revenues from the State, fines and forfeitures, and interest income. Expenditures are made for administration, legislation, public safety, parks and recreation and other services.

Clayton Redevelopment Agency Capital Projects

This fund accounts for the projects funded through the property tax increment generated within the project area.

Clayton Redevelopment Agency Low/Moderate Income Housing

This fund accounts for the low and moderate income housing projects funded through a mandatory 20% set aside of the property tax increment generated with the project area.

Capital Improvements Projects

This fund accounts for the projects identified in the capital improvement program funded by various federal and state grants as well as through transfers from the General Fund.

Clayton Redevelopment Agency Debt Service

This fund accounts for the 1996A and 1999 Tax Allocation Bonds debt service payments.

(Other Governmental Funds)

This column accounts for all non-major governmental funds including special revenue, capital projects and debt service fund types.

**City of Clayton
Balance Sheet
Governmental Funds
June 30, 2011**

	Major Funds	
	General Fund	RDA Capital Projects Fund
ASSETS		
Cash and investments	\$ 3,504,464	\$ 1,381,221
Cash and investments with fiscal agents	-	-
Accounts receivable	186,149	-
Taxes receivable	-	-
Interest receivable	38,133	-
Notes receivable	-	244,380
Investment in bonds	-	138,000
Due from other funds	736,263	-
Advance to other funds	1,036,899	-
TOTAL ASSETS	<u>\$ 5,501,908</u>	<u>\$ 1,763,601</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 120,885	\$ 1,598
Other payables	66,334	-
Accrued payroll	35,579	-
Deferred revenue	2,622	242,730
Notes payable	-	592,412
Due to other funds	-	-
Advance from other funds	-	976,899
TOTAL LIABILITIES	<u>225,420</u>	<u>1,813,639</u>
FUND BALANCE		
Assigned	46,704	(50,038)
Unassigned	5,229,784	-
Unreserved, undesignated reported in:	-	-
TOTAL FUND BALANCE	<u>5,276,488</u>	<u>(50,038)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,501,908</u>	<u>\$ 1,763,601</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Balance Sheet
Governmental Funds
June 30, 2011**

<u>Major Funds</u>				
<u>RDA Low/Moderate Capital Projects Fund</u>	<u>Capital Improvements Fund</u>	<u>RDA Debt Service Fund</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 4,839,611	\$ 3,375,154	\$ -	\$ 2,655,434	\$ 15,755,884
-	-	1,076,021	-	1,076,021
-	-	-	227,205	413,354
-	-	-	2,280	2,280
-	-	-	-	38,133
4,614,462	-	-	-	4,858,842
-	-	-	-	138,000
-	-	-	-	736,263
-	-	-	-	1,036,899
<u>\$ 9,454,073</u>	<u>\$ 3,375,154</u>	<u>\$ 1,076,021</u>	<u>\$ 2,884,919</u>	<u>\$ 24,055,676</u>
\$ 2,633	\$ 84,546	\$ -	144,779	354,441
-	-	-	(1,902)	64,432
-	-	-	-	35,579
3,267,600	-	-	60,000	3,572,952
-	-	-	-	592,412
-	-	442,769	189,922	632,691
-	-	-	60,000	1,036,899
<u>3,270,233</u>	<u>84,546</u>	<u>442,769</u>	<u>452,799</u>	<u>6,289,406</u>
6,183,840	3,290,608	633,252	2,432,120	12,536,486
-	-	-	-	5,229,784
-	-	-	-	-
<u>6,183,840</u>	<u>3,290,608</u>	<u>633,252</u>	<u>2,432,120</u>	<u>17,766,270</u>
<u>\$ 9,454,073</u>	<u>\$ 3,375,154</u>	<u>\$ 1,076,021</u>	<u>\$ 2,884,919</u>	<u>\$ 24,055,676</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Funds	\$ 17,766,270
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet	
Non-depreciable capital assets	2,034,300
Depreciable capital assets, net (net of internal service fund assets of \$328,366)	25,035,554
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet	
	(194,404)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	
Long-term debt due within one year	(610,000)
Long-term liabilities - due in more than one year	(5,835,000)
Compensated absences payable	(172,177)
Revenues which are deferred on the Governmental Funds Balance Sheet because they are not available currently are taken into revenue in the Statement of Activities and accordingly increases the net position on the Statement of Net Position	
	3,572,952
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Government-wide Statement of Net Position.	
	<u>531,296</u>
Net Position of Governmental Activities	<u>\$ 42,128,791</u>

The accompanying notes are an integral part of the financial statements

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City of Clayton
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Major Funds		
	General Fund	RDA Capital Projects Fund	RDA Low/Moderate Capital Projects Fund
REVENUES			
Property taxes	\$ 1,642,916	\$ 4,075,890	\$ 1,018,973
Program income	11,847	-	225,725
Special assessments	-	-	-
Sales taxes	252,404	-	-
Permits, licenses and fees	247,644	-	-
Fines, forfeitures and penalties	55,919	-	-
From other agencies	81,811	-	-
Motor vehicle in-lieu fees	50,312	-	-
Other in-lieu fees	140,255	-	-
Franchise fees	403,815	-	-
Service charges	71,878	-	-
Use of money and property	161,933	9,360	77,163
Other revenue	81,243	13,800	-
TOTAL REVENUES	\$ 3,201,977	\$ 4,099,050	\$ 1,321,861
EXPENDITURES			
General Government			
Legislative	59,000	-	-
Administrative	881,846	-	-
Community services and facilities	144,297	-	-
Community park	99,742	-	-
Economic development	-	-	-
Planning and development	261,075	1,278,134	815,742
General support	134,863	-	-
Police	1,774,365	-	-
Library	128,382	-	-
Engineering	91,218	-	-
Highway and streets	-	-	-
Landscape maintenance	110,812	-	-
Debt Service			
Loss on sale of land held of resale	-	-	259,502
Principal	-	-	-
Interest and fiscal charges	-	42,225	-
Capital Outlay	-	50,310	-
TOTAL EXPENDITURES	3,685,600	1,370,669	1,075,244
REVENUES OVER (UNDER) EXPENDITURES	(483,623)	2,728,381	246,617
OTHER FINANCING SOURCES			
Transfers in	650,178	-	-
Transfers out	-	(2,443,552)	(150,095)
TOTAL OTHER FINANCING SOURCES (USES)	650,178	(2,443,552)	(150,095)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	166,555	284,829	96,522
FUND BALANCES:			
Beginning of year, as previously reported	5,109,933	(334,867)	5,593,899
Prior period adjustment to correct error (See Note 13)	-	-	493,419
Beginning of fiscal year, as restated	5,109,933	(334,867)	6,087,318
End of fiscal year	\$ 5,276,488	\$ (50,038)	\$ 6,183,840

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2011

Major Funds

Capital Improvements Fund	RDA Debt Service Fund	Other Governmental	Total
\$ -	\$ -	\$ -	\$ 6,737,779
			237,572
		1,186,092	1,186,092
			252,404
		31,760	279,404
			55,919
391,849	-	669,971	1,143,631
			50,312
			140,255
			403,815
			71,878
34,895	-	62,995	346,346
-	-	16,050	111,093
<u>\$ 426,744</u>	<u>\$ -</u>	<u>\$ 1,966,868</u>	<u>\$ 11,016,500</u>
			59,000
			881,846
	8,265		152,562
			99,742
		207,590	207,590
			2,354,951
			134,863
			1,774,365
			128,382
			91,218
		312,400	312,400
		776,671	887,483
			-
			259,502
	2,195,000		2,195,000
	392,780		435,005
1,467,891	-	284,114	1,802,315
<u>1,467,891</u>	<u>2,596,045</u>	<u>1,580,775</u>	<u>11,776,224</u>
(1,041,147)	(2,596,045)	386,093	(759,724)
1,023,230	2,068,172	1,380	3,742,960
-	-	(1,149,313)	(3,742,960)
<u>1,023,230</u>	<u>2,068,172</u>	<u>(1,147,933)</u>	<u>-</u>
(17,917)	(527,873)	(761,840)	(759,724)
<u>3,308,525</u>	<u>1,161,125</u>	<u>3,193,960</u>	<u>18,032,575</u>
			493,419
3,308,525	1,161,125	3,193,960	18,525,994
<u>\$ 3,290,608</u>	<u>\$ 633,252</u>	<u>\$ 2,432,120</u>	<u>\$ 17,766,270</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (759,724)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (Net of internal service fund depreciation of \$74,097).	(650,686)
Certain long-term assets, such as notes receivable, developer receivable, and investment in low and moderate income housing are reported as expenditures in the governmental funds and then are offset by a deferred revenue as they are not available to pay current expenditures. When the long-term assets are collected, they are reflected as revenue. This amount is the net change in the long-term assets for the current period.	97,706
Long-term compensated absences are reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds. The program expenses are adjusted for the current year net changes in compensated absences.	(8,601)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets	
Long-term debt repayments	2,195,000
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from prior year.	9,751
Capital asset acquisition, excluding internal service fund asset acquisitions.	178,137
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net gain or loss of the internal service funds is reported with governmental activities.	<u>(90,058)</u>
Change Net Assets of Governmental Activities	<u>\$ 971,525</u>

The accompanying notes are an integral part of the financial statements

PROPRIETARY FUNDS

City of Clayton
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Community Gym</u>	<u>Endeavor Hall</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 209,919
Receivables:				
Accounts	9,990	-	9,990	-
Interest		1	1	-
Noncurrent Assets				
Land	-	167,738	167,738	-
Depreciable assets, net	-	<u>1,227,212</u>	<u>1,227,212</u>	<u>328,366</u>
TOTAL ASSETS	<u>9,990</u>	<u>1,394,951</u>	<u>1,404,941</u>	<u>538,285</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	1,700	1,700	6,989
Other payables	12,489	60	12,549	-
Deposits payable		3,850	3,850	-
Due to other funds	<u>93,344</u>	<u>10,228</u>	<u>103,572</u>	<u>-</u>
TOTAL LIABILITIES	<u>105,833</u>	<u>15,838</u>	<u>121,671</u>	<u>6,989</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	1,394,950	1,394,950	328,366
Unrestricted	<u>(95,843)</u>	<u>(15,837)</u>	<u>(111,680)</u>	<u>202,930</u>
TOTAL NET ASSETS	<u>\$ (95,843)</u>	<u>\$ 1,379,113</u>	<u>\$ 1,283,270</u>	<u>\$ 531,296</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Community Gym	Endeavor Hall	Total	Governmental Activities Internal Services Funds
OPERATING REVENUES				
Charges for current services	\$ 2,511	\$ 23,751	\$ 26,262	\$ 15,636
TOTAL OPERATING REVENUES	<u>2,511</u>	<u>23,751</u>	<u>26,262</u>	<u>15,636</u>
OPERATING EXPENSES				
Personnel		15,210	15,210	
General and administrative	2,709	14,833	17,542	35,116
Bad Debt Expense	90,689	-	90,689	
Depreciation and amortization		36,067	36,067	74,096
TOTAL OPERATING EXPENSES	<u>93,398</u>	<u>66,110</u>	<u>159,508</u>	<u>109,212</u>
OPERATING INCOME (LOSS)	<u>(90,887)</u>	<u>(42,359)</u>	<u>(133,246)</u>	<u>(93,576)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	220	56	276	3,518
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>220</u>	<u>56</u>	<u>276</u>	<u>3,518</u>
CHANGE IN NET ASSETS	(90,667)	(42,303)	(132,970)	(90,058)
NET ASSETS:				
Beginning of fiscal year	(5,176)	1,421,416	1,416,240	621,354
End of fiscal year	<u>\$ (95,843)</u>	<u>\$ 1,379,113</u>	<u>\$ 1,283,270</u>	<u>\$ 531,296</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Major Enterprise Funds			Governmental Activities Internal Service Funds
	Community Gym	Endeavor Hall	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 2,511	\$ 23,751	\$ 26,262	\$ 15,636
Cash payments to suppliers for goods and services	(2,731)	(8,597)	(11,328)	(45,816)
Cash payment to employees for services	-	(15,210)	(15,210)	-
Net cash provided (used) by operating activities	(220)	(56)	(276)	(30,180)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Cash paid for capital acquisition	-	-	-	(65,715)
Gain (Loss) on sale of asset	-	-	-	-
Capital Contributions	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-	(65,715)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	220	56	276	3,519
Net cash provided (used) by investing activities	220	56	276	3,519
Net increase (decrease) in cash and cash equivalents	-	-	-	(92,376)
CASH AND CASH EQUIVALENTS:				
Fiscal year end June 30, 2010	-	-	-	302,295
Fiscal year end June 30, 2011	\$ -	\$ -	\$ -	\$ 209,919
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (90,887)	\$ (42,359)	\$(133,246)	\$ (93,576)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	36,067	36,067	74,097
Changes in current assets and liabilities:				
Accounts receivable	90,688	-	90,688	-
Accounts payable	12,489	(1,375)	11,114	(10,701)
Other payables	-	1,411	1,411	-
Due to other funds	(12,510)	6,200	(6,310)	-
Insurance claims payable	-	-	-	-
Net cash provided (used) by operating activities	\$ (220)	\$ (56)	\$ (276)	\$ (30,180)

The accompanying notes are an integral part of the financial statements

FIDUCIARY FUNDS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's program.

City of Clayton
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 2,271,034
Cash with fiscal agents	232,858
Investment in bonds	4,231,000
Other receivables	<u>853,598</u>
TOTAL ASSETS	<u>\$ 7,588,490</u>
LIABILITIES	
Accounts payable	\$ 489,911
Interest payable	-
Other payables	64,361
Other deposits	739,489
Due to bondholders	<u>6,294,729</u>
TOTAL LIABILITIES	<u>\$ 7,588,490</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Clayton (City) is primarily a residential community nestled in the foothills of Mount Diablo in Contra Costa County, California. The City was incorporated as a municipal corporation in 1964, and encompasses four square miles with a population of 10,873.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. The City's staff of 26 full time equivalent employees, of which 11 are sworn officers in the Police Department, are under contract with the City and responsible for the following City services:

- Public Safety - The City provides 24-hour police services from a central station, using trained personnel.
- Streets and Roads - The City maintains its streets, curbs, gutters and related public property using City employees. Major projects may be contracted to reduce costs.
- In addition, the City employs a varying number of seasonal personnel for maintenance.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief review of the component units included in the accompanying basic financial statements of the City:

Clayton Redevelopment Agency (Agency) was established pursuant to the State of California Health and Safety Code Section 33000. The agency is responsible for the rehabilitation and economic revitalization of certain areas within the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Agency has been accounted for as a "blended" component unit of the City. Despite being legally separate, this entity is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit are reported within the funds of the City.

A. Reporting Entity, Continued

The following specific criteria were used in determining that the Agency was a blended component unit:

- The members of the City Council also act as the governing bodies of the Agency.
- The Agency is managed by employees of the City. A portion of the City's salary and overhead expenses is billed to the Agency each year.
- The City and the Agency are financially interdependent. The City makes loans to the Agency to use for redevelopment purposes. Tax increment (Property tax) revenues of the Agency are used to repay the loans to the City.

Detailed financial statements are available for the Agency from the City's Finance Department.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. 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. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business type activities for the City, the primary government. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

B. Basis of Accounting and Measurement Focus, Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated in the Statement of Activities; internal service fund transactions have been eliminated. However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

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

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34. The City has the following major funds:

General Fund - This fund is the general operating fund of the city. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Clayton Redevelopment Agency Capital Projects Fund - This fund accounts for the projects funded through the property tax increment generated with the project area.

B. Basis of Accounting and Measurement Focus, Continued

Clayton Redevelopment Agency Low/Moderate Income Housing Fund - This fund accounts for the low and moderate income housing projects funded through a mandatory 20% set aside of the property tax increment generated within the project area.

Capital Improvement Projects Fund - This accounts for the projects identified in the capital improvement program funded by various federal and state grants as well as through transfers from the General Fund.

Clayton Redevelopment Agency Debt Service Fund - This fund accounts for the 1996 and the 1999 Tax Allocation Bonds debt service payments.

Proprietary Fund Financial Statements

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

Internal service funds are presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

The City has the following major enterprise funds:

Community Gym - This fund accounts for all activities located at the Community Gym and managed by All Out Sports League.

Endeavor Hall - This fund accounts for all activities related to use of the facility. The primary use has been for Wedding Receptions.

The City has the following internal service funds:

Capital Replacement - This fund accounts for the operation, maintenance, and replacement of the City vehicles and equipment.

Self-Insurance Liability - This fund accounts for the administration of the City's self-insurance programs, payment of Employee Assistance Programs, and liability claims payments.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Assets. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting.

C. Use of Restricted and Unrestricted Net Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Interest income on investments is allocated to the funds on the basis of average month-end cash and investment balances.

The City reviews and refines its Investment Policy (Policy) annually, with the most recent revision in August 2011. The Policy states that the primary investment objective is safety with investments being legally permitted and sufficiently liquid to meet forecasted needs. Maximization of interest earnings is a secondary objective. Further, the Policy states that the City Treasurer has the ultimate responsibility to protect, preserve and maintain cash and investments. The Policy also established internal controls and reporting requirements. The Policy stipulates "Permitted Investments and Limitation on Investments."

The City invests in the California Local Agency Investment Fund ("LAIF"), which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio. A portion of LAIF's investments are in structured notes and asset-backed securities.

LAIF determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

In accordance with GASB Statement No. 31, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Land Held for Resale/Investment in low and moderate income housing

The City has acquired two parcels of land in Stranahan circle as part of its primary purpose to develop or redevelop City properties. The property is being carried at the lower of cost or net realizable value. The Agency has also purchased and re-sold various properties to low and moderate income households. At the time the Agency buys back the property the cost is written down (expensed) to the new lower purchase price. The City participates in the profits on any sales to an outside party in the same proportion as what the low and moderate income purchaser purchased the property from the Agency at below the market value.

F. Capital Assets

Capital assets are valued at cost or, during the initial implementation, estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000; all other capital assets are set at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	20 - 75 years
Machinery and equipment	5 - 10 years
Infrastructure	20 - 75 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the current basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2003. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

G. Long-Term Liabilities

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

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

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

H. Compensated Absences

Government-Wide Financial Statements

Compensated absences are recorded as incurred and the related expenses and liabilities are reported in the appropriate activity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. Compensated absences include vacation. It is the policy of the City to pay 100% of the accumulated vacation

leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action.

I. *Net Assets / Fund Balances*

Government-Wide Financial Statements

In the Government-Wide 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, or 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."

Fund Financial Statements

The City has implemented the GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions that improves financial reporting by providing fund balance categories and classifications that will be more easily understood. The fund balance classification approach in this Statement requires governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as restricted in one fund but unrestricted in another. The fund balance disclosures will give users information necessary to understand the process under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. Fund balances for governmental funds are reported in a classifications that compromise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority of the City, commits fund balances through resolutions. The Council has designated certain members of management staff to assign fund balances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Property Taxes

Property tax revenues are recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa (County) levies, bills and collects property taxes and special assessments for the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties (under the Teeter Plan). Secured and unsecured property taxes are levied on July 1 based on January 1 assessed valuation and are payable in two installments, becoming delinquent on December 10 and April 10.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

L. Interfund Balances/Internal Balances

Outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "Internal balances."

M. Implementation of New GASB Pronouncements

The City has implemented the following accounting standards during the fiscal year ended June 30, 2011:

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions - This Statement improves financial reporting by providing fund balance categories and classifications that will be more easily understood. The fund balance classification approach in this Statement requires governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as restricted in one fund but unrestricted in another. The fund balance disclosures give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

"Under GASB Statement No. 54, Fund Balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority of the City, commits fund balances through resolutions. The Council has designated certain members of management staff to assign fund balances. These captions apply only to Fund Balance classifications:

- *Nonspendable fund balance* are those amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- *Restricted fund balances* are those amounts that should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balances* are those amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- *Assigned fund balances* are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- *Unassigned fund balances* are those residual funds that have not been assigned to other funds, are nonspendable, restricted, committed, or assigned to specific purposes. The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

2. CASH AND INVESTMENTS

Statement of Net Assets:	
Cash and investments	\$ 15,965,803
Restricted cash and investments with fiscal agent	1,076,021
Investment in assessment bonds	138,000
Statement of Fiduciary Net Assets:	
Cash and investments	2,271,034
Cash with fiscal agents	232,858
Bonds held in refunding	<u>3,872,000</u>
 Total	 \$ <u>23,555,717</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	1,185,514
Investments	<u>22,369,203</u>
 Total	 \$ <u>23,555,717</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 of Clayton by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	\$40 million	\$40 million
Money Market Funds	N/A	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	20%	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Negotiable Time Certificates of Deposit	5 years	None	None
Medium Term Corporate Bonds	5 years	20%	None

2. CASH AND INVESTMENTS, Continued

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees 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 trustees. 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 of Portfolio	Maximum Investment in One Issuer
Money Market Mutual Funds	N/A	N/A	N/A
U.S. Government Agency Issues	5 years	20%	None
Federal Housing Administration debentures	N/A	N/A	N/A
Commercial paper	92 Days	N/A	N/A
Demand or time deposits	366 Days	N/A	N/A

Disclosures Relating to Interest Rate Risk

Investment of debt proceeds held by bond trustees 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 investments are restricted to securities which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from such fund. Moneys invested in a reserve account shall be invested in Investment Securities which will by their terms mature prior to the date which is the final maturity date of the bonds.

Investment Type	Totals	Remaining Maturity (in Months)					More than 60 Months
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	
State Investment Pool	\$ 4,675,992	\$ 4,675,992	\$ -	\$ -	\$ -	\$ -	-
Money Market Funds	2,794	2,794	-	-	-	-	-
Investment in assessment bonds	138,000	-	-	-	-	-	138,000
Certificates of Deposit	12,371,538	2,991,270	3,320,554	3,675,356	1,306,497	1,077,861	-
Held by bond trustees:							
Money Market Funds	1,308,879	1,308,879	-	-	-	-	-
Bonds held in refunding	3,872,000	-	-	-	-	-	3,872,000
	<u>\$ 22,369,203</u>	<u>\$ 8,978,935</u>	<u>\$ 3,320,554</u>	<u>\$ 3,675,356</u>	<u>\$ 1,306,497</u>	<u>\$ 1,077,861</u>	<u>\$ 4,010,000</u>

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

Disclosures Relating to 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, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	N/A	\$ -	\$ -	\$ -	\$ -	4,675,992
Money Market Funds	N/A	-	-	-	-	2,794
Investment in assessment bonds		-	-	-	-	138,000
Certificates of Deposit	N/A	-	-	-	-	12,371,538
Held by bond trustees:						
Money Market Funds	N/A	-	-	-	-	1,308,879
Bonds held in refunding	N/A	-	-	-	-	3,872,000
Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,369,203</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments that represent 5% or more of total City investments.

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 counter party (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 fair 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.

2. CASH AND INVESTMENTS, Continued

Investments 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 upon 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. RECEIVABLES

Notes Receivables

As of June 30, 2011, notes receivable consisted of the following:

Description	Ending Balance June 30, 2010	Additions	Deletions	Ending Balance June 30, 2011
Professional Apartment Management, Inc.	\$ 3,129,000	\$ 200,000	\$ 61,400	\$ 3,267,600
Eden Housing, Inc. (formerly Peace Grove)	567,000	-	-	567,000
Second Mortgage Program	187,450	-	-	187,450
Assessment District Loans	307,278	-	62,898	244,380
Total	\$ 4,190,728	\$ 200,000	\$ 124,298	\$ 4,266,430

The Agency has provided assistance to special assessment districts within the City, to fund repairs and improvements. There are three districts which received loans from the Agency. As of June 30, 2011, the outstanding balance of the loans was **\$244,380**.

On September 21, 1999, the Agency made a loan to the Professional Apartment Management, Inc. ("PAM") in the amount of \$750,000, at a non-interest bearing rate, to construct and develop an affordable senior assisted living center on the site known as "Diamond Terrace." The note is secured by the Deed of Trust. The Agency loaned an additional \$1,286,000 on October 24, 2001. On December 1, 2003, PAM began drawing on a \$2,000,000 loan from the Agency in the amount of \$200,000 annually. The principal balance is payable commencing on October 1, 2005 through October 1, 2030. As of June 30, 2011, the outstanding balance of the loan was **\$3,267,600**.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

3. RECEIVABLES, Continued

On October 13, 1992, the Agency made a loan to the Peace Grove, Inc. in the amount of \$567,000, at a non-interest bearing rate, for the purchase of land for a redevelopment and housing project for low-income mental health system clients. The loan is secured by the Deed of Trust. The principal balance is payable on December 18, 2052. As of June 30, 2011, the outstanding balance of the loan was **\$567,000**. The Agency participates in a second mortgage assistance program, whereby qualified applicants are loaned money for a "silent second" down payment to purchase a home in the Stranahan Development within the City. There are seven individual loans outstanding. As of June 30, 2011, the outstanding balance of the loans was **\$187,450**.

4. INTERFUND TRANSACTIONS

A. Due To, Due From

At June 30, 2011, the City had the following short-term interfund receivables and payables:

DUE TO	DUE FROM				Total
	Governmental		Business-Type		
	RDA Debt Service Fund	Non-major Governmental Funds	Community Gym	Endeavor Hall	
Governmental Activities:					
General Fund	\$ 442,769	\$ 189,922	\$ 93,344	\$ 10,228	\$ 736,263
Total	\$ 442,769	\$ 189,922	\$ 93,344	\$ 10,228	\$ 736,263

B. Interfund Transfers

At June 30, 2011, the City had the following transfers:

TRANSFERS OUT	TRANSFERS IN				Total
	General Fund	Capital Improvement	RDA Debt Service	Non-major Governmental Funds	
RDA Capital Projects	\$ -	\$ 375,380	\$ 2,068,172	\$ -	\$ 2,443,552
RDA Low/Moderate	150,095	-	-	-	150,095
Non-major Governmental Funds	500,083	647,850	-	1,380	1,149,313
Total	\$ 650,178	\$ 1,023,230	\$ 2,068,172	\$ 1,380	\$ 3,742,960

4. INTERFUND TRANSACTIONS, Continued

B. Interfund Transfers, continued

The Redevelopment Agency transferred **\$2,068,172** from the capital projects fund to the debt service fund for the current debt service payments.

The City transferred **\$650,178** into the General Fund from Low/Moderate Income Capital Project Fund (**\$150,095**) and Non-major Governmental Funds (**\$500,083**) to reimburse the City for administrative expenses. The City transferred **\$1,023,230** into the Capital Improvement Fund from the RDA Capital Projects Fund (**\$375,380**) and Non-Major Governmental Funds (**\$647,850**) for various capital projects.

C. Advance to other funds

On June 17, 1999, the Agency purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the Agency issued a note in the amount of \$475,000 to the City. The principal amount is payable on or before January 1, 2023. As of June 30, 2011, the outstanding balance of the note was **\$475,000**.

On September 30, 2004, the City transferred \$35,000 into the Development Impact Fees Fund to provide funding necessary to retain a consultant to prepare a sewer master plan for the potential annexation that is currently being processed by the City. It is the City's intent to recover the sewer master plan fees upon annexation. Additional funding by the City in the amount of \$25,000 was advanced to the Development Impact Fees Fund on May 17, 2005. As of June 30, 2011, the outstanding balance of the advance was **\$60,000**.

On February 16, 2010, the Agency recognized a debt owed to the City in the amount of \$501,899. The debt resulted from the Agency omitting payment to the City of an annual 2% election payment for the past twenty-one fiscal years. The City has recognized this advance of funds and the Agency has agreed to pay back this advance in four annual installments of \$125,475. As of June 30, 2011, the balance is \$501,899.

D. Note payable

On May 10, 2011, the Redevelopment Agency received a loan from the Low to Moderate Income Housing Fund in the amount of \$592,412 to partially cover a demand from the California Department of Finance for property tax revenues to K-12 schools during the 2010-11 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan is to be repaid without interest by June 30, 2015.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2011, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
<i>Non depreciable Assets:</i>			
Land	\$ 1,046,366	\$ 167,738	\$ 1,214,104
Construction in progress	987,934	-	987,934
Total non depreciable assets	<u>2,034,300</u>	<u>167,738</u>	<u>2,202,038</u>
<i>Depreciable Assets:</i>			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	4,295,841	151,004	4,446,845
Machinery and equipment	1,076,401	5,024	1,081,425
Infrastructure	27,120,016	-	27,120,016
Total depreciable assets	<u>38,387,834</u>	<u>1,556,772</u>	<u>39,944,606</u>
Total accumulated depreciation	<u>(13,023,914)</u>	<u>(329,560)</u>	<u>(13,353,474)</u>
Depreciable assets, net	<u>25,363,920</u>	<u>1,227,212</u>	<u>26,591,132</u>
Total governmental activities capital assets, net	\$ <u>27,398,220</u>	\$ <u>1,394,950</u>	\$ <u>28,793,170</u>

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2010	Additions	Deletions	Transfers and Adjustments	Balance June 30, 2011
<i>Non depreciable Assets:</i>					
Land	\$ 1,046,366	\$ -	\$ -	\$ -	\$ 1,046,366
Construction in progress	809,797	182,756	-	(4,619)	987,934
Total non depreciable assets	<u>1,856,163</u>	<u>182,756</u>	<u>-</u>	<u>(4,619)</u>	<u>2,034,300</u>
<i>Depreciable Assets:</i>					
Buildings	5,895,576	-	-	-	5,895,576
Improvements	4,295,841	-	-	-	4,295,841
Machinery and equipment	1,010,687	65,714	-	-	1,076,401
Infrastructure	27,120,016	-	-	-	27,120,016
Total depreciable assets	<u>38,322,120</u>	<u>65,714</u>	<u>-</u>	<u>-</u>	<u>38,387,834</u>
<i>Accumulated depreciation:</i>					
Buildings	(2,005,838)	(117,750)	-	226,450	(1,897,138)
Improvements	(871,350)	(136,619)	-	(226,450)	(1,234,419)
Machinery and Equipment	(673,939)	(74,092)	-	-	(748,031)
Infrastructure	(8,748,005)	(396,321)	-	-	(9,144,326)
Total accumulated depreciation	<u>(12,299,132)</u>	<u>(724,782)</u>	<u>-</u>	<u>-</u>	<u>(13,023,914)</u>
Depreciable assets, net	<u>26,022,988</u>	<u>(659,068)</u>	<u>-</u>	<u>-</u>	<u>25,363,920</u>
Total governmental activities capital assets, net	\$ <u>27,879,151</u>	\$ <u>(476,312)</u>	\$ <u>-</u>	\$ <u>(4,619)</u>	\$ <u>27,398,220</u>

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Public Works and Facilities	\$	(24,775)
General support		(569,894)
Police		(56,067)
Internal service		(74,096)
Total depreciation expense - governmental activities	\$	<u>(724,782)</u>

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Non depreciable Assets:</i>				
Land	\$ 167,738	\$ -	\$ -	\$ 167,738
<i>Depreciable Assets:</i>				
Buildings	\$ 1,400,744	\$ -	\$ -	\$ 1,400,744
Improvements	151,004	-	-	151,004
Machinery & Equipment	5,024	-	-	5,024
Total depreciable assets	<u>1,556,772</u>	<u>-</u>	<u>-</u>	<u>1,556,772</u>
Accumulated Depreciation	(293,492)	(36,068)	-	(329,560)
Depreciable assets, net	<u>1,263,280</u>	<u>(36,068)</u>	<u>-</u>	<u>1,227,212</u>
Total business-type activities capital assets, net	\$ <u>1,431,018</u>	\$ <u>(36,068)</u>	\$ <u>-</u>	\$ <u>1,394,950</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2011 was as follows:

Endeavor hall	\$	36,067
Total depreciation expense	\$	<u>36,067</u>

B Fund Financial Statements

The Governmental Fund Financial Statements do not present General Government Capital Assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

6. LONG-TERM DEBT

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2011:

Description	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
1996 Refund Tax	\$					
Allocation Bonds	3,210,000	\$ -	\$ (1,940,000)	\$ 1,270,000	\$ 340,000	\$ 930,000
1999 Tax Allocation Bonds	5,430,000	-	(255,000)	5,175,000	270,000	4,905,000
Total governmental activities	\$ 8,640,000	\$ -	\$ (2,195,000)	\$ 6,445,000	\$ 610,000	\$ 5,835,000

1996 Series A Refunding Tax Allocation Bonds

1996 Series A Refunding Tax Allocation Bonds in the principal amount of \$7,225,000 were issued on November 16, 1996 by the Agency. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing after August 1, 2011 are subject to call on any interest payment date at par, plus a premium 1 % to 2% of the principal amount. The bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue.

The annual debt service requirements to amortize the 1996 Refunding Tax Allocation Bonds outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 340,000	\$ 59,083	\$ 399,083
2013	-	49,987	49,987
2014	-	49,987	49,987
2015	-	49,987	49,987
2016	-	49,987	49,987
2017-2021	930,000	153,189	1,083,189
Total	\$ 1,270,000	\$ 412,220	\$ 1,682,220

1999 Tax Allocation Bonds

1999 Issue Tax Allocation Bonds in the principal amount of \$7,460,000 were issued on June 15, 1999 by the Agency. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. The bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues.

6. LONG-TERM DEBT, Continued

The annual debt service requirements to amortize the 1999 Tax Allocation Bonds outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 270,000	\$ 248,930	\$ 518,930
2013	280,000	236,140	516,140
2014	295,000	222,554	517,554
2015	310,000	208,030	518,030
2016	320,000	192,672	512,672
2017-21	1,860,000	701,666	2,561,666
2022-25	1,840,000	189,750	2,029,750
Total	<u>\$ 5,175,000</u>	<u>\$ 1,999,742</u>	<u>\$ 7,174,742</u>

Compensated Absences

Compensated absences include vacation and sick leave. It is the policy of the City to pay 100% of the accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action. The City recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2011:

	Beginning Balance July 1, 2010	Additions	Ending Balance June 30, 2011
Compensated Absences	\$ <u>163,576</u>	\$ <u>8,601</u>	\$ <u>172,177</u>

7. NON-CITY OBLIGATIONS

Middle School Community Facilities District- Original Issue \$6,400,000

Middle School Community Facilities District Bonds in the principal amount of \$6,400,000 were issued on September 2, 1990 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non-city obligations and are secured by facility district revenue. As of June 30, 2011, the outstanding balance of the non-city bond obligation was **\$4,231,000**.

**City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011**

7. NON-CITY OBLIGATIONS, Continued

Clayton Station Community Facilities District- Original Issue \$1,269,000

Clayton Station Community Facilities District Bonds in the principal amount of \$1,269,000 million were issued on September 2, 2000 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by facility district revenue. As of June 30, 2011 the outstanding balance of the non-city bond obligation was **\$537,000**.

Lydia Lane Sewer Assessment District-Original Issue \$228,325

Lydia Lane Sewer Assessment District Bonds in the principal amount of \$228,325 were issued on August 5, 2002 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by sewer assessment district revenue. As of June 30, 2011, the outstanding balance of the non-city bond obligation was **\$193,325**.

Clayton Financing Authority 2007 Special Tax Revenue Refunding Bonds-Original Issue \$5,060,000

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to assist the City of Clayton to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the Community School Local Obligations. As of June 30, 2011, the outstanding balance of the non-city bond obligation was **\$4,225,000**.

8. OTHER FUND DISCLOSURES

A. Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations in the current fiscal year:

	<u>Amount in excess of appropriation</u>
<i>RDA Capital Projects</i> \$	10,696
<i>RDA Low/Moderate</i>	614,555
<i>Grants</i>	80,281
<i>Gas Tax</i>	116,151

8. OTHER FUND DISCLOSURES, Continued

B. Deficit Fund Balances

At June 30, 2011, the funds below had the following deficit fund balance or net assets:

	<u>Amount</u>
<i>RDA Capital Projects</i>	\$ 50,038
Non-major	53,637
Total Governmental Funds	103,675
Community Gym	\$ 95,843
Total Proprietary Funds	\$ 95,843

The deficit in the RDA Capital Projects, Community Gym, Stormwater Treatment District, and Measure J funds are expected to be recovered from future revenues.

9. RISK MANAGEMENT

The City participates in the Municipal Pooling Authority of Northern California (MPA), a joint powers agreement between twenty cities, which provides insurance coverage for liability, auto, property and workers' compensation claims. Claims liabilities are accrued when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The MPA covers claims in an amount up to \$29,000,000. The City has a deductible of \$5,000 per claim for liability cases and no deductible for workers' compensation claims. Once the City's deductible is met, the MPA becomes responsible for payment of all claims and legal defense.

The MPA is governed by a board consisting of representatives from each member municipality. The Board controls the operations of the MPA including selection of management, approval of operating budgets, and is independent of any influence by member municipalities beyond their representation on the Board.

The City's general liability premium payments to the MPA in the amount of **\$81,736** for fiscal year 2010-2011 are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The City has had no settlements which exceeded insurance coverage during fiscal year ending June 30, 2011.

Estimates of incurred, but not reported, liability claims are included in the City's claims estimates and based upon historical experiences as calculated by the MPA.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2011

9. RISK MANAGEMENT, Continued

At June 30, 2011, the MPA's audited condensed financial information showed:

Total assets	\$ <u>59,626,130</u>
Total liabilities	\$ <u>41,373,996</u>
Total equities	\$ <u>18,252,134</u>
Total revenues	\$ <u>20,051,305</u>
Total expenses	\$ <u>25,488,676</u>
Revenues over (under) expenses	\$ <u>(5,437,369)</u>

Detailed financial information may be obtained from the MPA.

Municipal Pooling Authority of Northern California
1911 San Miguel Drive, Suite 200
Walnut Creek, CA 94596

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description - The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments 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. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - Active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$144,287 for the fiscal year ended June 30, 2011.

The City as employer is required to contribute an actuarially determined payment that is reflected as a percentage of annual covered payroll for miscellaneous and safety employees. The required employer contribution rates for the fiscal year 2010-11 was 14.178% for miscellaneous employees and 31.172% for safety employees.

The City's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$540,085, \$550,323 and \$580,505, respectively and equal 100% of the required contributions for each fiscal year, and also included the contributions that the City made on behalf of the employees.

11. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description - The City of Clayton Retired Employees Health Care Program

The City of Clayton Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Clayton. The Program provides medical insurance benefits to eligible retirees and their families through the same self-insured program coverage to active City employees. In connection with this, the City has established a plan to provide post-employment benefits other than pensions as defined in section 7500-7514.5 of the California Public Employees' Retirement Law.

Separate stand-alone statements are not issued for this plan.

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to pre fund benefits as determined annually by the City Council. For Fiscal Year 2011, the City contributed retiree premiums of \$29,856 and there was no additional pre funding contribution. Retired employees receiving benefits contributed \$31,538 (approximately 9.5% of the total premiums) through required monthly contributions that average \$2,628 per month.

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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost 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 OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's OPEB obligation for the program:

Annual required contribution (ARC)	\$ 50,667
Interest on net OPEB obligation	2,164
Adjustment to annual required contribution	6,881
Annual OPEB cost	<u>59,712</u>
Contributions made	<u>(29,856)</u>
Increase (decrease) in net OPEB obligation	29,856
Net OPEB obligation (asset) at beginning of year	<u>23,438</u>
Net OPEB obligation (asset) at end of year	<u>\$ 53,294</u>

The City contributed \$29,856 (59)% of the annual OPEB cost of \$50,667 resulting in a net OPEB obligation of \$53,294. The fiscal year ended June 30, 2010 was the first year for which an actuarially determined ARC of \$50,667 has been calculated for the City of Clayton Retired Employees Health Care Program. The total implied subsidies for the years ended June 30, 2010 and 2011 were \$27,229 and \$29,856, respectively, for a total of \$57,005.

11. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

Funded Status and Funding Progress- The City's actuarial Accrued Liability (AAL) and unfunded Actuarial Accrued Liability (UAAL) is \$400,257 which is 22% of covered payroll. There are no plan assets and as of June 30, 2011, since the OPEB trust has not yet been set up.

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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision every three years.

Actuarial Methods and Assumptions- The City of Clayton, in accordance with GASB 45, employed the Alternative Measurement Method to determine the OPEB obligation. 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 valuation.

In the June 30, 2011 actuarial valuation, the Entry age normal method was used. The actuarial assumptions included a 4.0% investment rate of return, and an annual healthcare cost increase rate of 10% initially, reduced ultimately to 5% by 2020. The UAAL is being amortized using the level dollar method. The remaining amortization period at June 30, 2011 was 28 years.

12. CONTINGENCIES

The City is a defendant in a few lawsuits and claims which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions, when finally adjudicated, will not have a material adverse effect on the financial position of the City.

13. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2011, the City determined that deferred revenues for the RDA Low/Moderate Capital Projects Fund were not being properly matched to the corresponding note receivable, resulting in improper recognition of revenues for fiscal years ended June 30, 2007 through June 30, 2010. Therefore, the beginning fund balance of the RDA Low/Moderate Capital Projects Fund has been restated and increased by \$493,419. The effect on revenues and other financing sources over expenditures and other financing uses for the RDA Low/Moderate Capital Projects Fund for the fiscal year ended June 30, 2010 would have been a decrease of \$279,332.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 7, 2013, the date on which the financial statements were available to be issued. There are no known material violations of finance-related legal and contractual provisions.

REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY PRINCIPLES

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the City Manager submits to the City Council a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the City Council as part of the adoption of subsequent year's budgets.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution during a City Council meeting in the month of June.
- The City Manager is authorized to transfer budgeted amounts within an activity, within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgeting is employed as a management control device during the year for the general, certain special revenue and debt service funds. The Presley Settlement, Stormwater Treatment District Assessment, and Clayton Development Impact Fees funds are not budgeted for and thus do not have budget to actual comparison statements.
- Budgets for the general, certain special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles (US GAAP).
- Budgets for capital projects funds are adopted on a project-life basis.

Budgeted amounts are as originally adopted or as amended by the City Council. Budget amendments were not material in relation to the original appropriations.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

City of Clayton
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2011

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,610,024	\$ 1,610,024	\$ 1,642,916	\$ 32,892
Program income	5,791	5,791	11,847	6,056
Sales tax	218,000	218,000	252,404	34,404
Permits, licenses and fees	227,629	227,629	247,644	20,015
Fines, forfeitures and penalties	59,500	59,500	55,919	(3,581)
From other agencies	125,257	125,257	81,811	(43,446)
Motor vehicle in-lieu fees	30,000	30,000	50,312	20,312
Other in-lieu fees	140,255	140,255	140,255	-
Franchise fees	368,153	368,153	403,815	35,662
Service charges	61,858	61,858	71,878	10,020
Use of money and property	85,000	85,000	161,933	76,933
Other revenue	56,555	56,555	81,243	24,688
TOTAL REVENUES	2,988,022	2,988,022	3,201,977	213,955
EXPENDITURES				
Legislative	63,213	69,762	59,000	10,762
Administrative	855,699	862,468	881,846	(19,378)
Community services and facilities	108,843	263,917	144,297	119,620
Community park	87,242	110,188	99,742	10,446
Planning and development	263,706	290,424	261,075	29,349
General Support	111,688	113,139	134,863	(21,724)
Police	1,835,781	1,837,229	1,774,365	62,864
Library	131,376	134,810	128,382	6,428
Engineering	96,261	96,261	91,218	5,043
Landscape maintenance	102,800	113,800	110,812	2,988
TOTAL EXPENDITURES	3,656,609	3,891,998	3,685,600	206,398
REVENUES OVER (UNDER) EXPENDITURES	(668,587)	(903,976)	(483,623)	420,353
OTHER FINANCING SOURCES (USES)				
Transfers in	668,588	668,588	650,178	(18,410)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	668,588	668,588	650,178	(18,410)
Net Change	\$ 1	\$ (235,388)	166,555	\$ 401,943
FUND BALANCES:				
Beginning of year			5,109,933	
End of year			\$ 5,276,488	

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MAJOR FUNDS

**City of Clayton
 Budgetary Comparison Schedule
 RDA Capital Projects Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 3,941,518	\$ 4,075,890	\$ 134,372
Use of money and property	5,000	9,360	4,360
Other revenue	<u>5,000</u>	<u>13,800</u>	<u>8,800</u>
TOTAL REVENUES	<u>3,951,518</u>	<u>4,099,050</u>	<u>147,532</u>
EXPENDITURES			
Planning and development	1,263,788	1,278,134	(14,346)
Interest and fiscal charges	30,875	42,225	(11,350)
Capital outlay	<u>15,000</u>	<u>-</u>	<u>15,000</u>
TOTAL EXPENDITURES	<u>1,309,663</u>	<u>1,320,359</u>	<u>(10,696)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,641,855</u>	<u>2,778,691</u>	<u>136,836</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	338,510	-	(338,510)
Transfers out	<u>(3,226,475)</u>	<u>(2,443,552)</u>	<u>782,923</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,887,965)</u>	<u>(2,443,552)</u>	<u>444,413</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (246,110)</u>	335,139	<u>\$ 581,249</u>
FUND BALANCES:			
Beginning of year		<u>(334,867)</u>	
End of year		<u>\$ 272</u>	

City of Clayton
 Budgetary Comparison Schedule
 RDA Low/Moderate Capital Projects Fund

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$ 985,379	\$ 1,018,973	\$ 33,594
Program income	61,400	225,725	164,325
Use of money and property	<u>60,000</u>	<u>77,163</u>	<u>17,163</u>
TOTAL REVENUES	<u>1,106,779</u>	<u>1,321,861</u>	<u>215,082</u>
EXPENDITURES			
Planning and development	460,689	815,742	(355,053)
Loss on sale of land held for resale	<u>-</u>	<u>259,502</u>	<u>(259,502)</u>
TOTAL EXPENDITURES	<u>460,689</u>	<u>1,075,244</u>	<u>(614,555)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>646,090</u>	<u>246,617</u>	<u>(399,473)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(150,095)</u>	<u>(150,095)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,095)</u>	<u>(150,095)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 495,995</u>	96,522	<u>\$ (399,473)</u>
FUND BALANCES:			
Beginning of year, as previously reported		5,593,899	
Prior period adjustment to correct error (See Note 13)		493,419	
Beginning of year, as restated		<u>6,087,318</u>	
End of year		<u>\$ 6,183,840</u>	

City of Clayton
Budgetary Comparison Schedule
Capital Improvements Fund

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ -	\$ 391,849	\$ 391,849
Use of money and property	<u>-</u>	<u>34,895</u>	<u>34,895</u>
TOTAL REVENUES	<u>-</u>	<u>426,744</u>	<u>426,744</u>
EXPENDITURES			
Capital outlay	<u>1,792,500</u>	<u>1,467,891</u>	<u>324,609</u>
TOTAL EXPENDITURES	<u>1,792,500</u>	<u>1,467,891</u>	<u>324,609</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,792,500)</u>	<u>(1,041,147)</u>	<u>751,353</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>1,023,230</u>	<u>1,023,230</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,023,230</u>	<u>1,023,230</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,792,500)</u>	<u>(17,917)</u>	<u>\$ 1,774,583</u>
FUND BALANCES:			
Beginning of year		<u>3,308,525</u>	
End of year		<u>\$ 3,290,608</u>	

**City of Clayton
Budgetary Comparison Schedule
RDA Debt Service Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Use of money and property	\$ 1,500	\$ -	\$ (1,500)
TOTAL REVENUES	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
EXPENDITURES			
Community services and facilities	8,265	8,265	-
Principal	2,335,000	2,195,000	140,000
Interest and fiscal charges	<u>509,330</u>	<u>392,780</u>	<u>116,550</u>
TOTAL EXPENDITURES	<u>2,852,595</u>	<u>2,596,045</u>	<u>256,550</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,851,095)</u>	<u>(2,596,045)</u>	<u>255,050</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>2,851,095</u>	<u>2,068,172</u>	<u>(782,923)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,851,095</u>	<u>2,068,172</u>	<u>(782,923)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>(527,873)</u>	<u>\$ (527,873)</u>
FUND BALANCES:			
Beginning of year		<u>1,161,125</u>	
End of year		<u>\$ 633,252</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

Special Revenue Funds are used to account for revenues derived from specific revenue sources. These funds are required by State statute or ordinance to finance particular functions or activities of government. The City's various special revenue funds are:

Street Lighting - accounts for assessments collected to maintain residential street lighting.

Stormwater Treatment District Assessment Fund - this fund was formed to provide a mechanism for the levying of private development (property) benefit assessments to fund the cost of inspections, maintenance and capital improvements related to the stormwater treatment requirements imposed upon the City by the Regional Water Quality Control Board as part of the City's General Stormwater Discharge Permit.

Stormwater Assessment - accounts for assessments collected to comply with the National Pollution Discharge Elimination System.

Presley Settlement - accounts for litigation settlement received for specific programs and projects.

Oakhurst Geological Hazard Abatement District - accounts for assessments collected from Oakhurst parcels to provide preventive maintenance measures within the district to mitigate potential landslides and other hazardous geological conditions within the district.

Measure J - accounts for a \$0.05 sales tax extended by voters in 2004 to provide transportation and street improvements, a growth management process, and a regional planning process to address quality of life

Grants - accounts for grants received for specific programs and projects.

Gas Tax - accounts for taxes raised under Street and Highway Code Sections 2106, 2107 and 2107.5, used for the maintenance and construction of City streets.

Downtown Park CFD - accounts for assessments collected to operate, maintain, repair and replace landscaping, irrigation, hardscape, lights, public restroom, gazebo, and playground equipment.

Clayton Landscape Maintenance - accounts for assessments collected to maintain arterial landscaping and open space within the City.

Non-Major Capital Projects Fund:

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The following represents the City's non-major capital projects fund:

Clayton Development Impact Fees - accounts for projects funded with the Development Impact Fees.

Non-Major Debt Service Fund:

Debt Service Funds are used to account for financial resources to be used for the accounting of debt instruments other than those financed by proprietary funds. The following represents the City's non-major debt service fund:

Clayton Financing Authority - accounts for projects related to the Financing Authority

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
June 30, 2011

	Special Revenue				Oakhurst Geological Hazard Abatement District
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement	
ASSETS					
Cash and investments	\$ 143,956	\$ -	\$ 142,758	\$ 117,498	\$ 6,204
Accounts Receivable	-	-	-	-	-
Taxes Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 143,956</u>	<u>\$ -</u>	<u>\$ 142,758</u>	<u>\$ 117,498</u>	<u>\$ 6,204</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 7,937	\$ -	\$ 4,175	\$ -	\$ 1,372
Other payables	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	2,562	-	-	-
Advance from other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>7,937</u>	<u>2,562</u>	<u>4,175</u>	<u>-</u>	<u>1,372</u>
FUND BALANCE					
Assigned	<u>136,019</u>	<u>(2,562)</u>	<u>138,583</u>	<u>117,498</u>	<u>4,832</u>
TOTAL FUND Balance	<u>136,019</u>	<u>(2,562)</u>	<u>138,583</u>	<u>117,498</u>	<u>4,832</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 143,956</u>	<u>\$ -</u>	<u>\$ 142,758</u>	<u>\$ 117,498</u>	<u>\$ 6,204</u>

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
June 30, 2011

Special Revenue			Capital Projects	Debt Service			
Measure J	Grants	Gas Tax	Downtown Park CFD	Clayton Landscape Maintenance	Clayton Development Impact Fees	Clayton Financing Authority	Total Other Governmental Funds
\$ -	\$185,269	\$ 56,258	\$215,278	\$ 647,153	\$ 381,579	\$ 759,481	2,655,434
136,285	15,042	15,878	60,000	-	-	-	227,205
<u>-</u>	<u>-</u>	<u>2,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,280</u>
<u>\$ 136,285</u>	<u>\$200,311</u>	<u>\$ 74,416</u>	<u>\$275,278</u>	<u>\$ 647,153</u>	<u>\$ 381,579</u>	<u>\$ 759,481</u>	<u>\$2,884,919</u>
\$ -	\$ 8,058	\$ 9,653	\$ 1,986	\$ 111,598	\$ -	\$ -	144,779
-	(1,902)	-	-	-	-	-	(1,902)
-	-	-	60,000	-	-	-	60,000
187,360	-	-	-	-	-	-	189,922
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
<u>187,360</u>	<u>6,156</u>	<u>9,653</u>	<u>61,986</u>	<u>111,598</u>	<u>60,000</u>	<u>-</u>	<u>452,799</u>
(51,075)	194,155	64,763	213,292	535,555	321,579	759,481	2,432,120
<u>(51,075)</u>	<u>194,155</u>	<u>64,763</u>	<u>213,292</u>	<u>535,555</u>	<u>321,579</u>	<u>759,481</u>	<u>2,432,120</u>
<u>\$ 136,285</u>	<u>\$200,311</u>	<u>\$ 74,416</u>	<u>\$275,278</u>	<u>\$ 647,153</u>	<u>\$ 381,579</u>	<u>\$ 759,481</u>	<u>\$2,884,919</u>

City of Clayton
Combining Statement of Revenues, Expenditures and Changes in Fund Bal
Non-Major Governmental Funds
For the fiscal year ended June 30, 2011

	Special Revenue				Oakhurst Geological Hazard Abatement District
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement	
REVENUES					
Special assessments	\$125,459	\$ -	\$ 90,620	\$ -	\$ 33,045
Permits, licenses and fees	-	-	31,760	-	-
From other agencies	-	-	-	-	-
Use of money and property	2,420	20	1,506	4,440	125
Other revenue	-	-	-	-	-
TOTAL REVENUES	<u>127,879</u>	<u>20</u>	<u>123,886</u>	<u>4,440</u>	<u>33,170</u>
EXPENDITURES					
General Government					
Economic development	-	-	-	-	6,624
Highway and streets	115,734	-	80,103	-	-
Landscape maintenance	-	-	-	-	-
Capital Outlay	-	-	426	-	-
TOTAL EXPENDITURES	<u>115,734</u>	<u>-</u>	<u>80,529</u>	<u>-</u>	<u>6,624</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>12,145</u>	<u>20</u>	<u>43,357</u>	<u>4,440</u>	<u>26,546</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(10,000)	-	(31,605)	(110,000)	(18,677)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>-</u>	<u>(31,605)</u>	<u>(110,000)</u>	<u>(18,677)</u>
NET CHANGE IN FUND BALANCE	2,145	20	11,752	(105,560)	7,869
FUND BALANCES					
Beginning of year	133,874	(2,582)	126,831	223,058	(3,037)
End of year	<u>\$136,019</u>	<u>\$ (2,562)</u>	<u>\$138,583</u>	<u>\$ 117,498</u>	<u>\$ 4,832</u>

City of Clayton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2011

Measure J	Special Revenue			Downtown Park CFD	Clayton Landscape Maintenance	Capital Projects	Debt Service	Total Other Governmental Funds
	Grants	Gas Tax				Clayton Development Impact Fees	Clayton Financing Authority	
\$ -	\$ -	\$ 26,397	\$ -	\$ 910,571	\$ -	\$ -	1,186,092	
159,478	121,609	279,875	109,009	-	-	-	31,760	
10,210	3,689	6,581	3,294	12,257	6,510	11,943	669,971	
			10,000	6,050			62,995	
<u>169,688</u>	<u>125,298</u>	<u>312,853</u>	<u>122,303</u>	<u>928,878</u>	<u>6,510</u>	<u>11,943</u>	<u>1,966,868</u>	
-	200,966	-	-	-	-	-	207,590	
412	-	116,151	-	-	-	-	312,400	
-	-	-	71,849	704,822	-	-	776,671	
-	6,561	-	-	277,127	-	-	284,114	
<u>412</u>	<u>207,527</u>	<u>116,151</u>	<u>71,849</u>	<u>981,949</u>			<u>1,580,775</u>	
<u>169,276</u>	<u>(82,229)</u>	<u>196,702</u>	<u>50,454</u>	<u>(53,071)</u>	<u>6,510</u>	<u>11,943</u>	<u>386,093</u>	
-	-	-	-	1,380	-	-	1,380	
<u>(529,000)</u>		<u>(348,987)</u>	<u>(23,816)</u>	<u>(29,918)</u>	<u>(47,310)</u>		<u>(1,149,313)</u>	
<u>(529,000)</u>		<u>(348,987)</u>	<u>(23,816)</u>	<u>(28,538)</u>	<u>(47,310)</u>		<u>(1,147,933)</u>	
(359,724)	(82,229)	(152,285)	26,638	(81,609)	(40,800)	11,943	(761,840)	
<u>308,649</u>	<u>276,384</u>	<u>217,048</u>	<u>186,654</u>	<u>617,164</u>	<u>362,379</u>	<u>747,538</u>	<u>3,193,960</u>	
<u>\$ (51,075)</u>	<u>\$194,155</u>	<u>\$ 64,763</u>	<u>\$213,292</u>	<u>\$ 535,555</u>	<u>\$ 321,579</u>	<u>\$759,481</u>	<u>\$2,432,120</u>	

City of Clayton
Budgetary Comparison Schedule
Clayton Landscape Maintenance Special Revenue Fund

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable <u>(Unfavorable)</u>
REVENUES			
Special Assessments	\$ 910,434	\$ 910,571	\$ 137
Use of money and property	5,000	12,257	7,257
Other revenue	<u>-</u>	<u>6,050</u>	<u>6,050</u>
TOTAL REVENUES	<u>915,434</u>	<u>928,878</u>	<u>13,444</u>
EXPENDITURES			
Current:			
Landscape maintenance	772,354	704,822	67,532
Capital outlay	<u>260,000</u>	<u>277,127</u>	<u>(17,127)</u>
TOTAL EXPENDITURES	<u>1,032,354</u>	<u>981,949</u>	<u>50,405</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(116,920)</u>	<u>(53,071)</u>	<u>63,849</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	1,380	1,380
Transfers out	<u>(29,918)</u>	<u>(29,918)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,918)</u>	<u>(28,538)</u>	<u>1,380</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$(146,838)</u>	(81,609)	<u>\$ 65,229</u>
FUND BALANCES:			
Beginning of year		<u>617,164</u>	
End of year		<u>\$ 535,555</u>	

**City of Clayton
Budgetary Comparison Schedule
Downtown Park CFD Special Revenue Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Permits, licenses and fees	\$ 150	\$ -	\$ (150)
From other agencies	108,957	109,009	52
Use of money and property	2,000	3,294	1,294
Other revenue	<u>10,000</u>	<u>10,000</u>	<u>-</u>
TOTAL REVENUES	<u>121,107</u>	<u>122,303</u>	<u>1,196</u>
EXPENDITURES			
Current:			
Landscape maintenance	<u>105,268</u>	<u>71,849</u>	<u>33,419</u>
TOTAL EXPENDITURES	<u>105,268</u>	<u>71,849</u>	<u>33,419</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>15,839</u>	<u>50,454</u>	<u>34,615</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(23,816)</u>	<u>(23,816)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,816)</u>	<u>(23,816)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (7,977)</u>	26,638	<u>\$ 34,615</u>
FUND BALANCES:			
Beginning of year		<u>186,654</u>	
End of year		<u>\$213,292</u>	

**City of Clayton
 Budgetary Comparison Schedule
 Gas Tax Special Revenue Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable <u>(Unfavorable)</u>
REVENUES			
Special assessments	\$ -	\$ 26,397	\$ 26,397
From other agencies	-	279,875	279,875
Use of money and property	-	<u>6,581</u>	<u>6,581</u>
TOTAL REVENUES	<u>-</u>	<u>312,853</u>	<u>312,853</u>
EXPENDITURES			
Current:			
Highway and streets	-	<u>116,151</u>	<u>(116,151)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>116,151</u>	<u>(116,151)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>196,702</u>	<u>196,702</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	<u>(348,987)</u>	<u>(348,987)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(348,987)</u>	<u>(348,987)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>(152,285)</u>	<u>\$ (152,285)</u>
FUND BALANCES:			
Beginning of year		<u>217,048</u>	
End of year		<u>\$ 64,763</u>	

**City of Clayton
Budgetary Comparison Schedule
Grants Special Revenue Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 116,000	\$121,609	\$ 5,609
Use of money and property	<u>2,500</u>	<u>3,689</u>	<u>1,189</u>
TOTAL REVENUES	<u>118,500</u>	<u>125,298</u>	<u>6,798</u>
EXPENDITURES			
Current:			
Economic development	127,246	200,966	(73,720)
Capital Outlay	<u>-</u>	<u>6,561</u>	<u>(6,561)</u>
TOTAL EXPENDITURES	<u>127,246</u>	<u>207,527</u>	<u>(80,281)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (8,746)</u>	(82,229)	<u>\$ (73,483)</u>
FUND BALANCES:			
Beginning of year		<u>276,384</u>	
End of year		<u>\$194,155</u>	

**City of Clayton
 Budgetary Comparison Schedule
 Measure J Revenue Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 231,366	\$ 159,478	\$ (71,888)
Use of money and property	1,000	10,210	9,210
Other revenue	<u>411,000</u>	<u>-</u>	<u>(411,000)</u>
TOTAL REVENUES	<u>643,366</u>	<u>169,688</u>	<u>(473,678)</u>
EXPENDITURES			
Highway and streets	<u>844</u>	<u>412</u>	<u>432</u>
TOTAL EXPENDITURES	<u>844</u>	<u>412</u>	<u>432</u>
REVENUES OVER (UNDER) EXPENDITURES	642,522	169,276	(473,246)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(529,000)</u>	<u>(529,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(529,000)</u>	<u>(529,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 113,522</u>	(359,724)	<u>\$ (473,246)</u>
FUND BALANCES:			
Beginning of year		<u>308,649</u>	
End of year		<u>\$ (51,075)</u>	

City of Clayton
Budgetary Comparison Schedule
Oakhurst Geological Hazard Abatement District Special Revenue Fund

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 33,024	\$ 33,045	\$ 21
Use of money and property	<u>-</u>	<u>125</u>	<u>125</u>
TOTAL REVENUES	<u>33,024</u>	<u>33,170</u>	<u>146</u>
EXPENDITURES			
Current:			
Economic development	<u>13,695</u>	<u>6,624</u>	<u>7,071</u>
TOTAL EXPENDITURES	<u>13,695</u>	<u>6,624</u>	<u>7,071</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>19,329</u>	<u>26,546</u>	<u>7,217</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(18,677)</u>	<u>(18,677)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,677)</u>	<u>(18,677)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 652</u>	7,869	<u>\$ 7,217</u>
FUND BALANCES:			
Beginning of year		<u>(3,037)</u>	
End of year		<u>\$ 4,832</u>	

**City of Clayton
 Budgetary Comparison Schedule
 Stormwater Assessment Special Revenue Fund**

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 68,322	\$ 90,620	\$ 22,298
Permits, licenses and fees	43,200	31,760	(11,440)
Use of money and property	<u>1,500</u>	<u>1,506</u>	<u>6</u>
TOTAL REVENUES	<u>113,022</u>	<u>123,886</u>	<u>10,864</u>
EXPENDITURES			
Current:			
Highway and streets	105,595	80,103	25,492
Capital Outlay	<u>3,000</u>	<u>426</u>	<u>2,574</u>
TOTAL EXPENDITURES	<u>108,595</u>	<u>80,529</u>	<u>28,066</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,427</u>	<u>43,357</u>	<u>38,930</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(31,605)</u>	<u>(31,605)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,605)</u>	<u>(31,605)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (27,178)</u>	11,752	<u>\$ 38,930</u>
FUND BALANCES:			
Beginning of year		<u>126,831</u>	
End of year		<u>\$138,583</u>	

**City of Clayton
Budgetary Comparison Schedule
Street Lighting Special Revenue Fund**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES			
Special assessments	\$ 125,459	\$ 125,459	\$ -
Use of money and property	<u>2,000</u>	<u>2,420</u>	<u>420</u>
TOTAL REVENUES	<u>127,459</u>	<u>127,879</u>	<u>420</u>
EXPENDITURES			
Current:			
Highway and streets	<u>122,830</u>	<u>115,734</u>	<u>7,096</u>
TOTAL EXPENDITURES	<u>122,830</u>	<u>115,734</u>	<u>7,096</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,629</u>	<u>12,145</u>	<u>7,516</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (5,371)</u>	2,145	<u>\$ 7,516</u>
FUND BALANCES:			
Beginning of year		<u>133,874</u>	
End of year		<u>\$ 136,019</u>	

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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by a department for other departments on a cost reimbursement basis. Funds included are:

Capital Replacement – This fund accounts for the operation, maintenance, and replacement of City vehicles and equipment.

Self-Insurance – This fund accounts for the administration of the City’s self-insurance program and payment of workers’ compensation and liability claims.

City of Clayton
Combining Balance Sheet
Internal Service Funds
June 30, 2011

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 165,364	\$ 44,555	\$209,919
Noncurrent Assets:			
Depreciable assets, net	<u>328,366</u>	<u>-</u>	<u>328,366</u>
TOTAL ASSETS	<u>493,730</u>	<u>44,555</u>	<u>538,285</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>58</u>	<u>6,931</u>	<u>6,989</u>
TOTAL LIABILITIES	<u>58</u>	<u>6,931</u>	<u>6,989</u>
NET			
Invested in capital assets, net of related debt	328,366	-	328,366
Unrestricted	<u>165,306</u>	<u>37,624</u>	<u>202,930</u>
TOTAL NET ASSETS	<u>\$ 493,672</u>	<u>\$ 37,624</u>	<u>\$531,296</u>

City of Clayton
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2011

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
OPERATING REVENUES			
Charges for current services	\$ 15,636	\$ -	\$ 15,636
TOTAL OPERATING REVENUES	<u>15,636</u>	<u>-</u>	<u>15,636</u>
OPERATING EXPENSES			
General and administrative	2,530	32,586	35,116
Depreciation and amortization	<u>74,096</u>	<u>-</u>	<u>74,096</u>
TOTAL OPERATING EXPENSES	<u>76,626</u>	<u>32,586</u>	<u>109,212</u>
OPERATING INCOME (LOSS)	(60,990)	(32,586)	(93,576)
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	<u>2,618</u>	<u>900</u>	<u>3,518</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,618</u>	<u>900</u>	<u>3,518</u>
CHANGE IN NET ASSETS	(58,372)	(31,686)	(90,058)
Beginning of fiscal year, As Restated (See Note 13)	<u>552,044</u>	<u>69,310</u>	<u>621,354</u>
End of fiscal year	<u>\$ 493,672</u>	<u>\$ 37,624</u>	<u>\$531,296</u>

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/other funds	15,636	-	15,636
Cash payment to suppliers for good and services	<u>(2,472)</u>	<u>(43,344)</u>	<u>(45,816)</u>
Net cash provided (used) by operating activities	<u>13,164</u>	<u>(43,344)</u>	<u>(30,180)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	(65,715)	-	(65,715)
Gain (Loss) on sale of asset	-	-	-
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(65,715)</u>	<u>-</u>	<u>(65,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>2,619</u>	<u>900</u>	<u>3,519</u>
Net Cash provided (used) by investing activities	<u>2,619</u>	<u>900</u>	<u>3,519</u>
Net increase (decrease) in cash and cash equivalents	(49,932)	(42,444)	(92,376)
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	<u>215,296</u>	<u>86,999</u>	<u>302,295</u>
End of fiscal year	<u>\$ 165,364</u>	<u>\$ 44,555</u>	<u>\$209,919</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(60,990)	(32,586)	(93,576)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	74,096		74,096
Changes in current assets and liabilities:			
Accounts receivable	-		-
Accounts payable	<u>58</u>	<u>(10,758)</u>	<u>(10,700)</u>
Total Adjustments	<u>74,154</u>	<u>(10,758)</u>	<u>63,396</u>
Net cash provided (used) by operating activities	<u>\$ 13,164</u>	<u>\$ (43,344)</u>	<u>\$ (30,180)</u>

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a fiduciary capacity or as an agent for individuals, government entities and others.

Deposits – represents funds held for:

Performance Deposits

Clayton Community Library Foundation Deposits

Clayton Community Gym Donation Deposits

Rental Deposits

Planning Services Deposits

Other Deposits

Oakhurst Assessment District (Debt Service Account) – consists of assessments accumulated to pay the obligations of the Oakhurst Assessment District on its 1998, 1989 bonds and 1997-1 bonds.

Middle School CFD (Debt Service Account – 1990-1) – consists of assessments accumulated to pay the obligations of the Middle School Community Facilities District on its 1990-1 Bonds.

Clayton Station CFD (Debt Service Account - 1990-2) – consists of assessments accumulated to pay the obligations of the Clayton Station Community Facilities District on its 1990-2 Bonds.

High Street Bridge – accounts for assessments collected to maintain bridges.

Oak Street Bridge – accounts for assessments collected to maintain bridges.

Lydia Lane Sewer Assessment – accounts for assessments to be collected for construction of a sewer system.

Oak Street Sewer Assessment – accounts for assessments to be collected for construction of a sewer system.

CFA Clayton Financing Authority 2007 - accounts for the refunding of the Authority's 1997 Special Tax Revenue Refunding Bonds payable from revenues received by the Authority as the result of payment of debt service on the local obligations of the Middle School CFD 1990-1 Bonds.

City of Clayton
Statements of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011

	<u>Deposits</u>	<u>Oakhurst Assessment District</u>	<u>Middle School CFD</u>	<u>Clayton Station CFD</u>	<u>High Street Bridge</u>
Assets:					
Cash and investments	\$ 1,216,385	\$ 207	\$ 962,128	\$ 172,846	\$ (12,480)
Cash with fiscal agent	-	-	195,426	-	-
Interest receivable	-	-	-	-	-
Investment in bonds	-	-	4,231,000	-	-
Other receivables	18,970	-	-	364,136	69,920
Total assets	<u>\$ 1,235,355</u>	<u>\$ 207</u>	<u>\$ 5,388,554</u>	<u>\$ 536,982</u>	<u>\$ 57,440</u>
Liabilities:					
Accounts payable	\$ 19,160	\$ -	\$ 259	\$ -	\$ 69,920
Interest payable	-	-	-	-	-
Other payables	43,661	-	-	-	3,900
Other deposits	739,489	-	-	-	-
Due to bondholders	433,045	207	5,388,295	536,982	(16,380)
Total liabilities	<u>\$ 1,235,355</u>	<u>\$ 207</u>	<u>\$ 5,388,554</u>	<u>\$ 536,982</u>	<u>\$ 57,440</u>

City of Clayton
Statements of Changes in Assets and Liabilities, Continued
Agency Funds
For the Fiscal Year Ended June 30, 2011

<u>Oak Street Bridge</u>	<u>Lydia Lane Sewer Assessment</u>	<u>Oak Street Sewer Assessment</u>	<u>CFA Clayton Financing Authority 2007</u>	<u>Total</u>	<u>June 30, 2010</u>
\$ (32,777)	\$ 71,895	\$ (2,520)	\$ (104,650)	\$ 2,271,034	\$ 2,130,951
-	14,632	-	22,800	232,858	620,608
-	-	-	-	-	-
-	-	-	-	4,231,000	4,102,000
<u>31,927</u>	<u>193,325</u>	<u>175,320</u>	<u>-</u>	<u>853,598</u>	<u>508,092</u>
<u>\$ (850)</u>	<u>\$ 279,852</u>	<u>\$ 172,800</u>	<u>\$ (81,850)</u>	<u>\$ 7,588,490</u>	<u>\$ 7,361,651</u>
\$ 31,927	\$ 193,325	\$ 175,320	\$ -	\$ 489,911	\$ 525,878
-	-	-	-	-	37,582
16,800	-	-	-	64,361	20,440
-	-	-	-	739,489	644,153
<u>(49,577)</u>	<u>86,527</u>	<u>(2,520)</u>	<u>(81,850)</u>	<u>6,294,729</u>	<u>6,133,598</u>
<u>\$ (850)</u>	<u>\$ 279,852</u>	<u>\$ 172,800</u>	<u>\$ (81,850)</u>	<u>\$ 7,588,490</u>	<u>\$ 7,361,651</u>

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

The City Council
City of Clayton

We have audited the basic financial statements of City of Clayton as of and for the year ended June 30, 2011, and have issued our report thereon dated January 7, 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

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

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Please refer to our management letter dated January 11, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Clayton'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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Cropper Accountancy Corporation
CROPPER ACCOUNTANCY CORPORATION

January 7, 2013
Walnut Creek, CA