

CITY OF CLAYTON
ANNUAL FINANCIAL STATEMENT REPORT
YEAR ENDED JUNE 30, 2014
(With Auditors' Report Thereon)

City of Clayton
Basic Financial Statements
June 30, 2014
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Clayton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clayton, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Clayton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clayton, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 10; 72 – 73; 76–81 and 88– 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The required supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the City of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clayton's internal control over financial reporting and compliance.



CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

October 22, 2014

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, 2014. 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 Position - The assets of the City of Clayton exceeded its liabilities at the close of the most recent fiscal year by \$40,359,394. Of this amount, \$6,257,378 was reported as "unrestricted net position" and may be used to meet the ongoing obligations to citizens and creditors.

Changes in Net Position - The City's total net position decreased by \$802,484 in fiscal year 2014. Net assets of governmental activities decreased by \$757,071, while net position of business type activities decreased by \$45,413.

Major Fund Highlights

Governmental Funds –As of the close of fiscal year 2014, the City's governmental funds reported a combined ending fund balance of \$10,553,537. Of this amount \$3,869,299 represents "unassigned fund balances" available for appropriation.

General Fund - The unassigned fund balance of the general fund on June 30, 2014 was \$3,871,849, while the non-spendable fund balance was \$1,242,346.

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.

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

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2014

The *statement of activities* presents information showing how the City's *net position* changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of 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, Clayton Landscape Maintenance Fund, the Measure J Fund, the Clayton Development Impact Fees Fund, and Capital Improvements 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 35-69 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 previously, net position 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 \$40,359,394 at the close of the most recent fiscal year. This is a decrease of \$802,484 or approximately 1% from the prior fiscal year's ending balance.

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The largest portion of the City of Clayton's net position 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 Position for the fiscal years ended June 30, 2014 and 2013:

	Governmental Activities 2014	Governmental Activities 2013	Business- Type Activities 2014	Business- Type Activities 2013	Total 2014	Total 2013
Current Assets	\$ 9,514,916	\$ 9,579,578	\$ 45,573	\$ 29,728	\$ 9,560,489	\$ 9,609,306
Non-Current Assets	996,820	1,000,811	-	-	996,820	1,000,811
Capital Assets	29,344,437	29,988,389	1,286,748	1,322,815	30,631,185	31,311,204
Total Assets	\$ 39,856,173	\$ 40,568,778	\$ 1,332,321	\$ 1,352,543	\$ 41,188,494	\$ 41,921,321
Current Liabilities	\$ 403,080	\$ 534,628	\$ 94,611	\$ 69,420	\$ 497,691	\$ 604,048
Long-term Liabilities	153,959	155,395	-	-	153,959	155,395
Total Liabilities	\$ 557,039	\$ 690,023	\$ 94,611	\$ 69,420	\$ 651,650	\$ 759,443
Deferred Inflows	\$ 177,450	\$ -	\$ -	\$ -	\$ 177,450	\$ -
Net investment						
in capital assets	\$ 29,344,437	\$ 29,988,389	\$ 1,286,748	\$ 1,322,815	\$ 30,631,185	\$ 31,311,204
Non-spendable	1,242,346	-	-	-	1,242,346	-
Restricted	2,228,485	5,071,942	-	-	2,228,485	5,071,942
Unrestricted	6,306,416	4,818,424	(49,038)	(39,692)	6,257,378	4,778,732
Total Net Position	\$ 39,121,684	\$ 39,878,755	\$ 1,237,710	\$ 1,283,123	\$ 40,359,394	\$ 41,161,878

A portion of the City of Clayton's net position (\$2,228,485 or 5.5%) represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of \$6,257,378 may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Position

City revenues for the year, including both governmental and business-type activities, were \$5,409,176, while expenses totaled \$6,211,660, resulting in a net reduction in net position of \$802,484. This net reduction was primarily attributable to the reclassification of \$688,709 in beginning fund balance of the Clayton Financing Authority debt service fund a governmental activity to a fiduciary type activity for presentation improvement purposes. 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, 2014

Following is a recap of the City of Clayton's Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2014 and 2013:

	Governmental Activities 2014	Governmental Activities 2013	Business Type Activities 2014	Business Type Activities 2013	Total 2014	Total 2013
Revenues:						
Program revenues:						
Charges for services	\$ 795,415	\$ 702,981	\$ 19,545	\$ 14,860	\$ 814,960	\$ 717,841
Operating and capital grants and contributions	683,492	587,384	-	-	683,492	587,384
Total program revenues	1,478,907	1,290,365	19,545	14,860	1,498,452	1,305,225
General revenues:						
Property taxes	1,862,734	1,691,803	-	-	1,862,734	1,691,803
Sales taxes	370,330	353,525	-	-	370,330	353,525
Special assessments	1,260,823	1,232,280	-	-	1,260,823	1,232,280
Other taxes	865,752	802,651	-	-	865,752	802,651
Investment income	64,319	80,622	393	-	64,712	80,622
Miscellaneous	175,082	139,161	-	-	175,082	139,161
Gain (loss) on sale of assets	-	(7,817)	-	-	-	(7,817)
Total general revenues	4,599,040	4,292,225	393	-	4,599,433	4,292,225
Total revenues	6,077,947	5,582,590	19,938	14,860	6,097,885	5,597,450
Expenses						
General government	1,249,238	1,186,567	-	-	1,249,238	1,186,567
Public works	2,118,015	2,090,459	-	-	2,118,015	2,090,459
Parks and recreation services	352,498	356,445	-	-	352,498	356,445
Community and economic development	410,413	446,259	-	-	410,413	446,259
Public safety	2,016,145	1,925,266	-	-	2,016,145	1,925,266
Community gym	-	-	-	-	-	-
Endeavor hall	-	-	65,351	60,117	65,351	60,117
Total expenses	6,146,309	6,004,996	65,351	60,117	6,211,660	6,065,113
Increase (decrease) in Net Position before interest on long-term debt, extraordinary loss on RDA dissolution	(68,362)	(422,406)	(45,413)	(45,257)	(113,775)	(467,663)
Transfers in (out)	(688,709)	250,456	-	-	(688,709)	250,456
Change in Net Position	(757,071)	(171,950)	(45,413)	(45,257)	(802,484)	(217,207)
Net Position - Beginning	39,969,445	40,141,395	1,192,433	1,237,690	41,161,878	41,379,085
Prior period adjustment (see Note 14)	(90,690)	-	90,690	-	-	-
Net Position - beg. of year, as restated	39,878,755	40,141,395	1,283,123	1,237,690	41,161,878	41,379,085
Net Position - Ending	\$ 39,121,684	\$ 39,969,445	\$ 1,237,710	\$ 1,192,433	\$ 40,359,394	\$ 41,161,878

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2014

Governmental Activities

Total governmental expenses were \$6,146,309 in fiscal year 2014 compared to \$6,004,996 in the prior year. In order by relative size, expenses for fiscal year 2014 were incurred for the following functions: public works (34%), public safety (33%), general government (20%), community and economic development (7%), and parks and recreation services (6%).

Total program revenues from governmental activities were \$1,478,907 in fiscal year 2013-14. 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. Of the governmental program revenues 54% were derived 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 46% 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 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 \$4,599,040 in fiscal year 2013-14 of which \$1,862,734 or 41% is related to property taxes. Property tax revenues increased by \$170,931 or 10%, chiefly due to increases in assessed values of properties within the City resulting from a steadily strengthening economy.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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, *unassigned 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 \$9,728,986. Of this amount, in order of relative significance, \$3,869,299 (40%) is unassigned, \$829,421 (9%) is committed for specific expenditures in the future, \$1,399,064 (14%) is restricted by law, regulation, or other outside contractual agreements, \$1,242,346 (13%) is non-spendable, and \$2,388,856 (24%) has been assigned for specific purposes.

The City of Clayton's general fund reported a decrease in fund balance of \$143,158 in the current fiscal year. This reduction in fund balance is primarily attributable to City Council approved action to utilize the fiscal year 2011-12 surplus to fund the City's self-insurance and capital replacement internal service funds and provide reserves for fiscal year 2013-14 labor negotiations.

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 position of the Major Enterprise Funds at the end of the year was \$1,237,710, and those for the Internal Service Fund amounted to \$547,195. 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 fiscal year 2013-14 general fund budget for expenditures totaled \$3,926,138. This figure includes appropriation amendments authorized by the City Council during fiscal year 2013-14 for encumbrance rollovers in the prior year as well as new contracts and agreements executed during the year. General fund actual revenues and transfers in exceeded total budgeted revenues by \$149,253 (4%). General Fund expenditures were less than the final budget by \$4,041 (less than 1%).

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, 2014, amounted to \$30,631,185 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corporate yard building, and roads.

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

- Construction-in-progress additions totaling \$240,878 were largely attributable to final costs for the 2013 Neighborhood Streets Program.
- Depreciable asset additions totaling \$1,499,899 were primarily attributable to the completion of the 2013 Neighborhood Streets Program during the fiscal year.
- Total depreciation expenses on governmental assets totaled \$884,830, versus \$705,457 in the prior year. The increase in depreciation was largely attributable to significant capital assets deemed complete in the prior year (\$818,059), that were depreciated for a full year for the first time in the current year.

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

Debt Administration

The remaining debt of the former RDA of \$5,835,000 was transferred to the Successor Agency on February 1, 2012 (fiscal year 2011-12). The City has no outstanding general obligation debt. The former RDA maintains a "AAA" rating for Tax Allocation Bonds from Standard & Poor's. Additional information on the Successor Agency's long-term debt obligations can be found in Note 12 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's budgetary history years clearly demonstrates an ability to provide necessary services within a limited and sometimes restrictive revenue source. There was a minimal increase in the General Fund's

**City of Clayton
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For the fiscal year ended June 30, 2014**

final budgeted operational expenditures (excluding transfers-out to finance capital replacement and self-insurance internal service funds) from the prior year to current year of \$83,773 (2%).

General Fund revenues, including transfers-in at June 30, 2014, fell short of expenditures by \$143,158. As described previously, the shortfall in the current year was primarily attributable to City Council approved action to utilize the fiscal year 2011-12 surplus (totaling \$182,671) to fund the City's self-insurance and capital replacement internal service funds and provide reserves for labor negotiations. In addition City experienced non-recurring expenditure increases for costs associated the completion of financial reports for fiscal years 2011-12 and 2012-13 delayed due to unexpected internal setbacks.

In the adopted fiscal year 2014-15 budget, total revenues of the general fund are projected to be \$3,879,561, which is an increase of approximately \$170,721 (4.6%) over the fiscal year 2013-14 final budget. The projected revenue increase of 4.6% in the 2014-15 budget is supported by actual 2013-14 revenue results which were not available during budget preparation procedures in April and May of 2014. This aggressive increase is reinforced by the fact that budgeted 2014-15 general fund revenues are only 0.5% higher than actual revenues as reported in the following audited financial statements. This is encouraging news, given that Contra Costa County Assessor's Office released information on July 1, 2014 supporting increases in property values from fiscal year 2013-14 to 2014-15 of 7.46% in the City of Clayton.

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 Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 8,793,275	\$ 77,618	\$ 8,870,893
Accounts receivable (net of allowances)	655,878	-	655,878
Interest receivable	24,378	-	24,378
Internal balances	32,045	(32,045)	-
Prepaid expenses	9,340	-	9,340
Total Current Assets	9,514,916	45,573	9,560,489
Noncurrent Assets:			
Notes receivable	996,820	-	996,820
Nondepreciable assets	2,088,365	167,738	2,256,103
Depreciable assets, net	27,256,072	1,119,010	28,375,082
TOTAL ASSETS	39,856,173	1,332,321	41,188,494
LIABILITIES			
Current Liabilities:			
Accounts payable	173,582	1,109	174,691
Deposits payable	-	6,455	6,455
Accrued payroll	50,706	-	50,706
Compensated absences payable (current portion)	65,968	-	65,968
Other accrued liabilities	112,824	87,047	199,871
Total Current Liabilities	403,080	94,611	497,691
Noncurrent Liabilities:			
Compensated absences payable (long-term portion)	65,968	-	65,968
OPEB Liability	87,991	-	87,991
Total Noncurrent Liabilities	153,959	-	153,959
TOTAL LIABILITIES	557,039	94,611	651,650
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	61,493	-	61,493
Deferred billings	96,035	-	96,035
Deferred note receivable	19,922	-	19,922
TOTAL DEFERRED INFLOWS OF RESOURCES	177,450	-	177,450
NET POSITION			
Net investment in capital assets	29,344,437	1,286,748	30,631,185
Restricted for non-spendable items	1,242,346	-	1,242,346
Restricted for special projects and programs	2,228,485	-	2,228,485
Unrestricted	6,306,416	(49,038)	6,257,378
TOTAL NET POSITION	\$ 39,121,684	\$ 1,237,710	\$ 40,359,394

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

For the fiscal year ended June 30, 2014	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General government	\$ 1,249,238	\$ 567,663	\$ -	\$ -	\$ (681,575)	\$ -	\$ (681,575)
Public works	2,118,015	158,500	530,546	-	(1,428,969)	-	(1,428,969)
Parks and recreation services	352,498	608	-	-	(351,890)	-	(351,890)
Community and economic development	410,413	54,013	-	-	(356,400)	-	(356,400)
Public safety	2,016,145	14,631	152,946	-	(1,848,568)	-	(1,848,568)
Total Governmental Activities	<u>6,146,309</u>	<u>795,415</u>	<u>683,492</u>	<u>-</u>	<u>(4,667,402)</u>	<u>-</u>	<u>(4,667,402)</u>
Business-Type Activities							
Community Gym	-	-	-	-	-	-	-
Endeavor Hall	65,351	19,545	-	-	-	(45,806)	(45,806)
Total Business-Type Activities	<u>65,351</u>	<u>19,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,806)</u>	<u>(45,806)</u>
Total Primary Government	<u>\$ 6,211,660</u>	<u>\$ 814,960</u>	<u>\$ 683,492</u>	<u>\$ -</u>	<u>(4,667,402)</u>	<u>(45,806)</u>	<u>(4,713,208)</u>

General revenues:

Taxes:

Property taxes	1,862,734	-	1,862,734
Sales taxes	370,330	-	370,330
Special assessments	1,260,823	-	1,260,823
Other taxes	865,752	-	865,752

Total Taxes 4,359,639 - 4,359,639

Investment income (loss) 64,319 393 64,712

Miscellaneous 175,082 - 175,082

Transfer to fiduciary funds (688,709) - (688,709)

Total general revenues and transfers 3,910,331 393 3,910,724

Change in net position (757,071) (45,413) (802,484)

Net position - beginning of year 39,969,445 1,192,433 41,161,878

Prior period adjustment to correct
error (See Note 14) (90,690) 90,690 -

**Net position - beginning of year,
as restated** 39,878,755 1,283,123 41,161,878

Net position - end of year \$ 39,121,684 \$ 1,237,710 \$ 40,359,394

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.

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 major special revenue funds are:

Clayton Landscape Maintenance Fund - accounts for real property voter-approved assessments collected to maintain arterial landscaping and open space within the City.

Measure J Fund - 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 issues. A portion of their county wide voter-approved tax is returned to local governments.

Gas Tax Fund - 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 Fund - accounts for voter-approved real property assessments collected to operate, maintain, repair and replace landscaping, irrigation, hardscape, lights, public restroom, gazebo, and playground equipment.

Major Capital Projects Funds:

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 major capital projects funds:

Capital Improvements Projects 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 Development Impact Fees Fund - accounts for projects funded with the Development Impact Fees.

Other Governmental Funds

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

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City of Clayton
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			
	General Fund	Clayton Landscape Maintenance	Measure J Fund	Capital Improvements Fund
ASSETS				
Cash and investments	\$ 4,006,212	\$ 394,315	\$ -	\$ 2,183,976
Accounts receivable	284,174	-	260,422	-
Interest receivable	24,378	-	-	-
Notes receivable	996,820	-	-	-
Prepaid expenses	9,340	-	-	-
Due from other funds	196,108	-	-	-
Advance to other funds	60,000	-	-	-
TOTAL ASSETS	<u>\$ 5,577,032</u>	<u>\$ 394,315</u>	<u>\$ 260,422</u>	<u>\$ 2,183,976</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 101,293	\$ 23,487	\$ -	\$ 21,005
Other payables	62,878	30,666	-	-
Accrued payroll	50,706	-	-	-
Accrued vacation	65,968	-	-	-
Due to other funds	-	-	161,513	-
Advance from other funds	-	-	-	-
TOTAL LIABILITIES	<u>280,845</u>	<u>54,153</u>	<u>161,513</u>	<u>21,005</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred fee and rental receipts	61,493	-	-	-
Deferred billings	66,035	-	-	-
Deferred note receivable	19,922	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>147,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Non-spendable	1,242,346	-	-	-
Restricted	-	264,629	98,909	-
Committed	-	-	-	-
Assigned	34,542	75,533	-	2,162,971
Unassigned	3,871,849	-	-	-
TOTAL FUND BALANCE	<u>5,148,737</u>	<u>340,162</u>	<u>98,909</u>	<u>2,162,971</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 5,577,032</u>	<u>\$ 394,315</u>	<u>\$ 260,422</u>	<u>\$ 2,183,976</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Balance Sheet
Governmental Funds
June 30, 2014**

Major Funds				
Clayton Development Impact Fees	Gas Tax	Downtown Park CFD	Other Governmental	Total
\$ 769,863	\$ 196,577	\$ 286,746	\$ 753,324	\$ 8,591,013
-	35,309	30,000	45,973	655,878
-	-	-	-	24,378
-	-	-	-	996,820
-	-	-	-	9,340
-	-	-	-	196,108
-	-	-	-	60,000
<u>\$ 769,863</u>	<u>\$ 231,886</u>	<u>\$ 316,746</u>	<u>\$ 799,297</u>	<u>\$ 10,533,537</u>
\$ -	\$ 7,196	\$ 2,588	\$ 17,971	173,540
-	5,673	8,698	4,909	112,824
-	-	-	-	50,706
-	-	-	-	65,968
-	-	-	2,550	164,063
60,000	-	-	-	60,000
<u>60,000</u>	<u>12,869</u>	<u>11,286</u>	<u>25,430</u>	<u>627,101</u>
-	-	-	-	61,493
-	-	30,000	-	96,035
-	-	-	-	19,922
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	30,000	-	177,450
-	-	-	-	1,242,346
-	219,017	237,393	579,116	1,399,064
709,863	-	-	119,558	829,421
-	-	38,067	77,743	2,388,856
-	-	-	(2,550)	3,869,299
<u>709,863</u>	<u>219,017</u>	<u>275,460</u>	<u>773,867</u>	<u>9,728,986</u>
<u>\$ 769,863</u>	<u>\$ 231,886</u>	<u>\$ 316,746</u>	<u>\$ 799,297</u>	<u>\$ 10,533,537</u>

City of Clayton
Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Position
June 30, 2014

For the fiscal year ended June 30, 2014

Total Fund Balances - Governmental Funds \$ 9,728,986

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 2,088,365

Depreciable capital assets, net (net of internal service fund assets of \$344,975) 26,911,097

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

OPEB liability (87,991)

Compensated absences payable (65,968)

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.

547,195

Net Position of Governmental Activities \$ 39,121,684

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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, 2014

	Major Funds			
	General Fund	Clayton Landscape Maintenance Fund	Measure J Fund	Capital Improvements Fund
REVENUES				
Property taxes	\$ 1,862,734	\$ -	\$ -	\$ -
Program income	10,668	-	-	-
Special assessments	-	978,034	-	-
Sales taxes	370,330	-	-	-
Permits, licenses and fees	249,704	-	-	-
Fines, forfeitures and penalties	78,173	-	-	-
Intergovernmental	84,173	-	260,422	-
Motor vehicle in-lieu fees	4,703	-	-	-
Other in-lieu fees	148,839	-	-	-
Franchise fees	504,867	-	-	-
Service charges	338,626	-	-	-
Use of money and property	31,452	2,914	-	13,400
Other revenue	25,514	1,200	-	138,824
TOTAL REVENUES	<u>3,709,783</u>	<u>982,148</u>	<u>260,422</u>	<u>152,224</u>
EXPENDITURES				
Current				
General government	1,118,026	-	-	-
Public works	156,981	713,139	792	-
Parks and recreation services	352,498	-	-	-
Community and economic development	405,589	-	-	-
Public safety	1,889,003	-	-	-
Capital Outlay	-	43,752	-	276,856
TOTAL EXPENDITURES	<u>3,922,097</u>	<u>756,891</u>	<u>792</u>	<u>276,856</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(212,314)</u>	<u>225,257</u>	<u>259,630</u>	<u>(124,632)</u>
OTHER FINANCING SOURCES				
Transfers in	148,310	-	120,244	92,780
Transfers out	(79,154)	(42,955)	(4,000)	(317,583)
TOTAL OTHER FINANCING SOURCES (USES)	<u>69,156</u>	<u>(42,955)</u>	<u>116,244</u>	<u>(224,803)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(143,158)</u>	<u>182,302</u>	<u>375,874</u>	<u>(349,435)</u>
FUND BALANCES:				
Beginning of year	5,382,585	157,860	(276,965)	2,512,406
Prior period adjustment to correct error (See Note 14)	(90,690)	-	-	-
Beginning of fiscal year, as restated	<u>5,291,895</u>	<u>157,860</u>	<u>(276,965)</u>	<u>2,512,406</u>
End of fiscal year	<u>\$ 5,148,737</u>	<u>\$ 340,162</u>	<u>\$ 98,909</u>	<u>\$ 2,162,971</u>

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, 2014

Major Funds				
Clayton Development Impact Fees	Gas Tax	Downtown Park CFD	Other Governmental	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,862,734
-	-	-	-	10,668
-	27,480	-	255,309	1,260,823
-	-	-	-	370,330
-	-	608	40,286	290,598
-	-	-	-	78,173
-	352,898	116,834	153,402	967,729
-	-	-	-	4,703
-	-	-	-	148,839
-	-	-	-	504,867
-	-	-	-	338,626
5,319	2,186	2,142	5,229	62,642
-	-	10,000	-	175,538
<u>5,319</u>	<u>382,564</u>	<u>129,584</u>	<u>454,226</u>	<u>6,076,270</u>
-	-	-	-	1,118,026
-	90,043	113,217	219,230	1,293,402
-	-	-	-	352,498
1,818	-	-	3,006	410,413
-	-	-	61,031	1,950,034
-	-	15,910	56,987	393,505
<u>1,818</u>	<u>90,043</u>	<u>129,127</u>	<u>340,254</u>	<u>5,517,878</u>
<u>3,501</u>	<u>292,521</u>	<u>457</u>	<u>113,972</u>	<u>558,392</u>
-	161,941	-	912	524,187
-	(89,580)	(6,533)	(63,536)	(603,341)
-	72,361	(6,533)	(62,624)	(79,154)
3,501	364,882	(6,076)	51,348	479,238
706,362	(145,865)	281,536	722,519	9,340,438
-	-	-	-	(90,690)
<u>706,362</u>	<u>(145,865)</u>	<u>281,536</u>	<u>722,519</u>	<u>9,249,748</u>
<u>\$ 709,863</u>	<u>\$ 219,017</u>	<u>\$ 275,460</u>	<u>\$ 773,867</u>	<u>\$ 9,728,986</u>

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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 479,238

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 \$117,520). (767,310)

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. (14,052)

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. 15,488

Capital asset acquisition, excluding internal service fund asset acquisitions. 240,878

Reclassification of Clayton Financing Authority from governmental fund to fiduciary fund (688,709)

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. (22,604)

Change in Net Position of Governmental Activities on Statement of Activities \$ (757,071)

PROPRIETARY FUNDS

City of Clayton
Statement of Net Position
Proprietary Funds
June 30, 2014

	Community Gym	Endeavor Hall	Total	Governmental Activities Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	\$ 77,618	\$ -	\$ 77,618	\$ 202,262
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Noncurrent Assets				
Land	-	167,738	167,738	-
Depreciable assets, net	-	1,119,010	1,119,010	344,975
TOTAL ASSETS	<u>77,618</u>	<u>1,286,748</u>	<u>1,364,366</u>	<u>547,237</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	1,109	1,109	42
Other payables	82,489	4,558	87,047	-
Deposits payable	-	6,455	6,455	-
Due to other funds	-	32,045	32,045	-
TOTAL LIABILITIES	<u>82,489</u>	<u>44,167</u>	<u>126,656</u>	<u>42</u>
NET POSITION				
Invested in capital assets, net of related debt	-	1,286,748	1,286,748	344,975
Restricted for payment of claims	-	-	-	-
Unrestricted	(4,871)	(44,167)	(49,038)	202,220
TOTAL NET POSITION	<u>\$ (4,871)</u>	<u>\$ 1,242,581</u>	<u>\$ 1,237,710</u>	<u>\$ 547,195</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Community Gym	Endeavor Hall	Total	Governmental Activities Internal Services Funds
OPERATING REVENUES				
Charges for current services	\$ -	\$ 19,545	\$ 19,545	\$ 16,200
TOTAL OPERATING REVENUES	<u>-</u>	<u>19,545</u>	<u>19,545</u>	<u>16,200</u>
OPERATING EXPENSES				
Personnel	-	13,320	13,320	-
General and administrative	-	15,963	15,963	2,115
Bad Debt Expense	-	-	-	-
Depreciation and amortization	<u>-</u>	<u>36,068</u>	<u>36,068</u>	<u>117,520</u>
TOTAL OPERATING EXPENSES	<u>-</u>	<u>65,351</u>	<u>65,351</u>	<u>119,635</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>(45,806)</u>	<u>(45,806)</u>	<u>(103,435)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfer from General Fund	-	-	-	79,154
Loss on disposal of assets	-	-	-	-
Investment income (loss)	<u>393</u>	<u>-</u>	<u>393</u>	<u>1,677</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>393</u>	<u>-</u>	<u>393</u>	<u>80,831</u>
CHANGE IN NET POSITION	<u>393</u>	<u>(45,806)</u>	<u>(45,413)</u>	<u>(22,604)</u>
NET POSITION:				
Beginning of fiscal year, as previously reported	(95,954)	1,288,387	1,192,433	569,799
Prior period adjustment to correct error (See Note 14)	<u>90,690</u>	<u>-</u>	<u>90,690</u>	<u>-</u>
Beginning of fiscal year, as restated	<u>(5,264)</u>	<u>1,288,387</u>	<u>1,283,123</u>	<u>569,799</u>
End of fiscal year	<u>\$ (4,871)</u>	<u>\$ 1,242,581</u>	<u>\$ 1,237,710</u>	<u>\$ 547,195</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, 2014

	Major Enterprise Funds			Governmental Activities Internal Service Funds
	Community Gym	Endeavor Hall	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ (37,465)	\$ 19,451	\$ (18,014)	\$ 16,200
Cash payments to suppliers for goods and services	24,000	(6,131)	17,869	(2,073)
Cash payment to employees for services	-	(13,320)	(13,320)	-
Net cash provided (used) by operating activities	<u>(13,465)</u>	<u>-</u>	<u>(13,465)</u>	<u>14,127</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer from General Fund	-	-	-	79,154
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	393	-	393	1,677
Net Cash provided by investing activities	<u>393</u>	<u>-</u>	<u>393</u>	<u>1,677</u>
Net increase (decrease) in cash and cash equivalents	(13,072)	-	(13,072)	94,958
CASH AND CASH EQUIVALENTS:				
Fiscal year ended June 30, 2013, as previously reported	-	-	-	107,304
Prior period adjustment to correct error (See Note 14)	90,690	-	90,690	-
Fiscal year ended June 30, 2013, as restated	<u>90,690</u>	<u>-</u>	<u>90,690</u>	<u>107,304</u>
Fiscal year end June 30, 2014	<u>\$ 77,618</u>	<u>\$ -</u>	<u>\$ 77,618</u>	<u>\$ 202,262</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ (45,806)	\$ (45,806)	\$ (103,435)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	36,068	36,068	117,520
Changes in current assets and liabilities:				
Accounts receivable	-	-	-	-
Accounts payable	-	536	536	42
Other payables	24,000	748	24,748	-
Due to other funds	(37,465)	8,548	(28,917)	-
Deposits payable	-	(94)	(94)	-
Net cash provided (used) by operating activities	<u>\$ (13,465)</u>	<u>\$ -</u>	<u>\$ (13,465)</u>	<u>\$ 14,127</u>

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. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Private Purpose Trust Funds account for resources held by the City as trustee for third party beneficiaries, and are used to report both the Fiduciary Net Position and Changes in Fiduciary Net Position for the Successor Agency for the former Redevelopment Agency. Private Purpose Trust Funds are accounted for under the full accrual basis of accounting.

City of Clayton
Statement of Fiduciary Net Position
Agency Funds
(Excludes Successor Agency Funds)
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 2,359,454
Cash with fiscal agents	468,827
Investments held in trust	1,518,019
Assessments receivable	3,891,611
Investment in bonds	<u>3,293,000</u>
TOTAL ASSETS	<u><u>\$ 11,530,911</u></u>
LIABILITIES	
Accounts payable	\$ 18,568
Local obligations payable	3,293,000
Benefit plan obligations	1,518,019
Other liabilities	2,269,008
Other deposits	648,705
Notes payable	185,286
Due to bondholders	<u>3,598,325</u>
TOTAL LIABILITIES	<u><u>\$ 11,530,911</u></u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
June 30, 2014

<u>ASSETS</u>	<u>Redevelopment Retirement Trust Fund</u>	<u>Redevelopment LMI Retirement Trust Fund</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 1,548,955	\$ 4,078,111	\$ -	\$ 5,627,066
Cash and investments with fiscal agents	331,020	-	-	331,020
Accounts receivable	-	8,000	(8,000)	-
Total current assets	<u>1,879,975</u>	<u>4,086,111</u>	<u>(8,000)</u>	<u>5,958,086</u>
Noncurrent assets:				
Advance to Redevelopment Retirement Trust Fund	-	592,412	(592,412)	-
Notes receivable	<u>165,364</u>	<u>4,207,200</u>	<u>-</u>	<u>4,372,564</u>
Total noncurrent assets	<u>165,364</u>	<u>4,799,612</u>	<u>(592,412)</u>	<u>4,372,564</u>
Total assets	<u>\$ 2,045,339</u>	<u>\$ 8,885,723</u>	<u>\$ (600,412)</u>	<u>\$ 10,330,650</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>				
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 23,600	\$ -	\$ (8,000)	\$ 15,600
Accrued interest payable	-	-	-	-
Current portion of long term debt	-	-	-	-
Total current liabilities	<u>23,600</u>	<u>-</u>	<u>(8,000)</u>	<u>15,600</u>
Noncurrent liabilities:				
Long term debt, net of current portion	3,790,000	-	-	3,790,000
Advance from Redevelopment LMI Retirement Trust Fund	592,412	-	(592,412)	-
Notes payable	<u>976,899</u>	<u>-</u>	<u>-</u>	<u>976,899</u>
Total noncurrent liabilities	<u>5,359,311</u>	<u>-</u>	<u>(592,412)</u>	<u>4,766,899</u>
Total liabilities	<u>5,382,911</u>	<u>-</u>	<u>(600,412)</u>	<u>4,782,499</u>
<u>Deferred inflows of resources</u>				
Deferred notes receivables	<u>165,364</u>	<u>3,483,400</u>	<u>-</u>	<u>3,648,764</u>
Total deferred inflows of resources	<u>165,364</u>	<u>3,483,400</u>	<u>-</u>	<u>3,648,764</u>
<u>NET POSITION</u>				
Held in trust for other governments	<u>(3,502,936)</u>	<u>5,402,323</u>	<u>-</u>	<u>1,899,387</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,045,339</u>	<u>\$ 8,885,723</u>	<u>\$ (600,412)</u>	<u>\$ 10,330,650</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the fiscal year ended June 30, 2014

	Redevelopment Retirement Trust Fund	Redevelopment LMI Retirement Trust Fund	Total
Additions			
Tax increment revenue	\$ 952,006	\$ -	\$ 952,006
Reimbursements / refunds	-	205,000	205,000
Program revenue	12,898	80,922	93,820
Interest income	14,813	27,422	42,235
Total additions	979,717	313,344	1,293,061
Deductions			
Interest expense	248,070	-	248,070
Project costs	-	200,000	200,000
Non-cash contributions	200,000	-	200,000
Administrative costs	250,000	-	250,000
Other expenses	152,899	-	152,899
Total deductions	850,969	200,000	1,050,969
Change in net position	128,748	113,344	242,092
Net position held in trust - beginning	(3,631,684)	5,288,979	1,657,295
Net position held in trust - ending	\$ (3,502,936)	\$ 5,402,323	\$ 1,899,387

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 11,505 (per census.gov estimate for 2013).

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 24 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.

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 Clayton Redevelopment Agency ("RDA"), which was dissolved as of February 1, 2012 was accounted for as a "blended" component unit of the City. Despite being legally separate, this entity was 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 were reported within the funds of the City. Upon the dissolution of the RDA, the City no longer has any blended component units.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business type activities for the City, 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 Position. The Statement of Activities presents changes in net position.

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

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 Position 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 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 fund balances as presented in these statements to the net position as presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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. Revenues from other governmental agencies are deemed to be available if received within 180 days after fiscal year end. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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 governmental 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.

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 Development Impact Fees Fund - This fund accounts for impact fees collected for new residential developments.

Landscaping Maintenance Fund - This fund accounts for the Community Facility District No. 2007-1 special assessment to fund the operation, maintenance, and improvement of city-wide public landscaped areas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Measure J Fund – This special revenue fund accounts for the City's allocated portion of the \$0.005 sales tax levy approved by Measure J in 2004 and related expenditures.

Gas Tax Fund – This special revenue fund accounts for the City's allocated share of section 2105, 2106, 2107.5, and 2103 state transportation taxes on the sale of gasoline. The fund also accounts for special assessment revenue used to pay for the operation and maintenance of the City's arterial street lights.

Downtown Park Fund – This special revenue fund accounts for the Community Facilities District No. 2006-1 special assessment to pay for the operation, maintenance, and improvement of the City's downtown "Grove Park."

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Fund Net Position, 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, therefore only the Statement of Fiduciary Net Position is presented. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Reclassifications were recorded to prior year amounts reported for various assets and liabilities for Agency Funds in order to be consistent with the current year's presentation.

Private Purpose Trust Funds account for resources held by the City as trustee for third party beneficiaries, and are used to report both the Fiduciary Net Position and Changes in Fiduciary Net Position for the Successor Agency for the former Redevelopment Agency. Private Purpose Trust Funds are accounted for under the full accrual basis of accounting.

C. Use of Restricted and Unrestricted Net Position

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

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's investment policy (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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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.

E. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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.

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.

F. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Liabilities, Continued

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 Position.

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.

Fiduciary funds that are Private Purpose Trust Funds have an “economic resources” measurement focus, which is the accrual basis of accounting. The trust fund reports all of the assets (including capital assets) and liabilities (including long term indebtedness). Effective February 1, 2012, the Successor Agency to the former Clayton RDA began reporting on this basis.

G. Compensated Absences

Government-Wide Financial Statements

Compensated absences are recorded as incurred and the related expenses and liabilities are reported in the appropriate activity. The long-term portion of governmental activities is liquidated primarily by the General Fund.

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 capped general employee's maximum annual accrual allowed upon the same leave of employment action.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position / Fund Balances

Government-Wide Financial Statements

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

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

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

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

Fund Balance Reporting

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 not 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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.

J. 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.

K. 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."

L. New Accounting Pronouncements

- In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The City is required to implement the provisions of this Statement for the current fiscal year (effective for periods beginning after December 31, 2012).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

- In March of 2012, GASB issued GASBS No. 66, Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City is required to implement the provisions of this Statement for the current fiscal year ended (effective for periods beginning after December 31, 2012). This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

- In June of 2012, GASB issued GASBS No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement and Statement No. 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide post-employment benefits other than pensions.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, including cost-sharing multi-employer pension plans, in which the City participates. Cost-sharing plans are those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due. Because the City is not a pension plan, but rather a participant in a pension plan, this Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.

- In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified into categories. Cost-sharing employers, such as the City, are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans. Cost-sharing plans are pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

- In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.

In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. Cost-sharing employers also should disclose information about how their contributions to the pension plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) information about required contributions, contributions to the pension plan, and related ratios. The City is required to implement provisions of this Statement for the fiscal year ending June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will require a change in current practice and result in an increase in government-wide long-term liabilities equal to the City's share of the pension plan's unfunded liabilities.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

- In January of 2014, GASB issued GASBS No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

This Statement requires the use of carrying values to measure the assets and liabilities in a government merger; it also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values, provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold, and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The City is required to implement provisions of this Statement for the year ended June 30, 2016 (effective for periods beginning after December 15, 2014). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

2. CASH AND INVESTMENTS

Statement of Net Position:

Cash and investments	\$ 8,870,893
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Statement of Fiduciary Net Position, excluding S.A. funds:

Cash and investments	2,359,454
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Cash with fiscal agents	468,827
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Bonds held in refunding	3,293,000
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Statement of Fiduc. Net Position, Priv. Purp. Trust Fund- Successor Agency:

Cash and investments	5,627,066
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Cash with fiscal agents	331,020
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Total	\$ <u>20,950,260</u>
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Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 1,000
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Deposits with financial institutions	1,239,072
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Investments	19,710,188
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Total	\$ <u><u>20,950,260</u></u>
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2. CASH AND INVESTMENTS, Continued

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

2. CASH AND INVESTMENTS, Continued

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 monies represented by the particular investment will be needed for withdrawal from such fund. Monies 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)					
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	More than 60 Months
State Investment Pool	\$ 5,759,253	\$ 5,759,253	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	7,573,565	1,990,405	1,659,354	1,498,986	591,599	1,833,221	-
Held by bond trustees:							
Money Market Funds	3,084,370	3,084,370	-	-	-	-	-
Bonds held in refunding	3,293,000	281,000	296,000	316,000	342,000	362,000	1,696,000
	<u>\$ 19,710,188</u>	<u>\$ 11,115,028</u>	<u>\$ 1,955,354</u>	<u>\$ 1,814,986</u>	<u>\$ 933,599</u>	<u>\$ 2,195,221</u>	<u>\$ 1,696,000</u>

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.

Investment Type	Minimum Legal Rating	Exempt from Disclosure	AAA	AA	A	Not Rated
State Investment Pool	N/A	\$ -	\$ -	\$ -	\$ -	5,759,253
Certificates of Deposit	N/A	-	-	-	-	7,573,565
Held by bond trustees:						
Money Market Funds	N/A	-	-	-	-	3,084,370
Bonds	N/A	-	-	-	-	-
Bonds held in refunding	N/A	-	-	-	-	3,293,000
Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,710,188</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.

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the 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.

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. NOTES RECEIVABLE

As of June 30, 2014, notes receivable of the General Fund consisted of the following:

Description	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Oak Street Bridge	\$ 23,912	\$ -	\$ (3,991)	\$ 19,921
SA to RDA Retirement Trust Fund	501,899	-		501,899
SA to LMI RDA Retirement Trust Fund	475,000	-		475,000
Total	<u>\$ 1,000,811</u>	<u>\$ -</u>	<u>\$ (3,991)</u>	<u>\$ 996,820</u>

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2014, the outstanding balance of the note was **\$475,000**.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

3. NOTES RECEIVABLE, Continued

On July 1, 1987, the City Council adopted Resolution No. 31-87 ordering “2% election” payments to the City each year by the former RDA as authorized by the H&S Code related to the Clayton Redevelopment Project. The 2% election payments to the City were designed to commence in the fiscal year ending June 30, 1989. During an examination of the former RDA’s remaining fiscal condition during calendar year 2009, it was discovered by the former RDA’s staff and its consultant, Seifel Consulting, Inc., that these payments had never been made to the City. Subsequent review by the County’s Auditor-Controller’s Office confirmed that the former RDA owed the City an accumulated total of \$501,689 in 2% election payments since 1987. The City recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. As of June 30, 2014, the balance due from the Successor Agency is **\$501,899**.

In fiscal year 1999, the General Fund provided \$48,310 in funding for a portion of the Oak Street Bridge project and recorded a note receivable from the Oak Street Bridge Assessment District. The note, which bears interest at 6%, is being paid off over 20 years. As of June 30, 2014, the outstanding balance due to the General Fund was **\$19,922**.

4. INTERFUND TRANSACTIONS

A. Due To, Due From

At June 30, 2014, the City had the following short-term interfund receivables and payables related to short-term cash flow borrowings from the General Fund:

DUE TO	DUE FROM					Total
	Governmental		Business-Type			
	Measure J	Non-major	Community	Endeavor		
	Fund	Funds	Gym	Hall		
Governmental Activities:						
General Fund	\$ 161,513	\$ 2,550	\$ -	\$ 32,045	\$ 196,108	
Total	\$ 161,513	\$ 2,550	\$ -	\$ 32,045	\$ 196,108	

B. Interfund Transfers

At June 30, 2014, the City had the following transfers:

TRANSFERS OUT	TRANSFERS IN						Total
	General Fund	Measure J	Capital Improvement Fund	Gas Tax	Non-major Gov’tal Funds	Internal Services	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,154	\$ 79,154
Landscape Maint. Fund	32,156	-	9,887	-	912	-	42,955
Measure J Fund	4,000	-	-	-	-	-	4,000
Capital Improvement Fund	35,398	120,244	-	161,941	-	-	317,583
Gas Tax Fund	6,687	-	82,893	-	-	-	89,580
Downtown Park CFD	6,533	-	-	-	-	-	6,533
Non-major Gov’tal Funds	63,536	-	-	-	-	-	63,536
Total	\$ 148,310	\$ 120,244	\$ 92,780	\$ 161,941	\$ 912	\$ 79,154	\$ 603,341

4. INTERFUND TRANSACTIONS, Continued

B. Interfund Transfers (Continued)

The City transferred **\$79,154** from the General Fund surplus to the Internal Services fund to help fund the Self Insurance Fund and the Capital Equipment Replacement Fund.

The City transferred **\$148,310** into the General Fund from the following funds: Clayton Landscape Maintenance Fund (**\$32,156**), Measure J Fund (**\$4,000**), Capital Improvement Fund (**\$35,398**), Gas Tax Fund (**\$6,687**), Downtown Park CFD Fund (**\$6,533**), and Non-major Governmental Funds (**\$63,536**) to reimburse the City for administrative expenses.

The City transferred **\$161,941** to the Gas Tax Fund and **\$120,244** to the Measure J fund from the Capital Improvement Fund due to the cancellation of two capital improvement projects. The City transferred **\$92,780** into the Capital Improvement Fund to cover capital improvement project deficits from the following funds: the Gas Tax Fund (**\$82,893**) and the Clayton Landscape Maintenance Fund (**\$9,887**). The City also transferred **\$912** to Non-major governmental funds from the Clayton Landscape Maintenance Fund as a reimbursement for stormwater filing fees.

C. Advance to other funds

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, 2014, the outstanding principal balance of the advance was \$60,000.

D. Note payable

On May 10, 2011, the former 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 2011-12 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan is to be repaid by the Successor Agency without interest by June 30, 2015.

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City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2014, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
<i>Non depreciable Assets:</i>			
Land	\$ 2,086,965	\$ 167,738	\$ 2,254,703
Construction in progress	1,400	-	1,400
Total non depreciable assets	2,088,365	167,738	2,256,103
<i>Depreciable Assets:</i>			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	5,996,439	151,004	6,147,443
Machinery and equipment	1,216,355	5,024	1,221,379
Infrastructure	29,388,794	-	29,388,794
Total depreciable assets	42,497,164	1,556,772	44,053,936
Total accumulated depreciation	(15,241,092)	(437,762)	(15,678,854)
Depreciable assets, net	27,256,072	1,119,010	28,375,082
Total governmental activities capital assets, net	\$ 29,344,437	\$ 1,286,748	\$ 30,631,185

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

	Balance June 30, 2013	Additions	Deletions	Transfers and Adjustments	Balance June 30, 2014
<i>Non depreciable Assets:</i>					
Land	\$ 2,086,965	\$ -	\$ -	\$ -	\$ 2,086,965
Construction in progress	1,260,421	240,878	-	(1,499,899)	1,400
Total non depreciable assets	3,347,386	240,878	-	(1,499,899)	2,088,365
<i>Depreciable Assets:</i>					
Buildings	5,895,576	-	-	-	5,895,576
Improvements	5,824,834	-	-	171,605	5,996,439
Machinery and equipment	1,216,355	-	-	-	1,216,355
Infrastructure	28,060,500	-	-	1,328,294	29,388,794
Total depreciable assets	40,997,265	-	-	1,499,899	42,497,164
Accumulated depreciation:					
Buildings	(2,132,634)	(117,750)	-	-	(2,250,384)
Improvements	(1,516,143)	(188,682)	-	-	(1,704,825)
Machinery and Equipment	(753,860)	(117,520)	-	-	(871,380)
Infrastructure	(9,953,625)	(460,878)	-	-	(10,414,503)
Total accumulated depreciation	(14,356,262)	(884,830)	-	-	(15,241,092)
Depreciable assets, net	26,641,003	(643,952)	-	-	27,256,072
Total governmental activities capital assets, net	\$ 29,988,389	\$ (643,952)	\$ -	\$ -	\$ 29,344,437

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

Administrative	\$ 29,213
Public works	671,986
Police	66,111
Internal service	117,520
Total depreciation expense - governmental activities	\$ <u>884,830</u>

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<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	<u>(401,695)</u>	<u>(36,067)</u>	<u>-</u>	<u>(437,762)</u>
Depreciable assets, net	<u>1,155,077</u>	<u>(36,067)</u>	<u>-</u>	<u>1,119,010</u>
Total business-type activities capital assets, net	\$ <u>1,322,815</u>	\$ <u>(36,067)</u>	\$ <u>-</u>	\$ <u>1,286,748</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2014 was as follows:

Endeavor hall	\$ <u>36,067</u>
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 Position.

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, 2014

6. COMPENSATED ABSENCES

Compensated absences include vacation and sick leave. It is the policy of the City to pay 100% of the capped 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, 2014:

	Beginning Balance July 1, 2013	Additions (Deletions)	Ending Balance June 30, 2014
Compensated Absences	\$ <u>162,911</u>	\$ <u>(30,975)</u>	\$ <u>131,936</u>

7. NON-CITY OBLIGATIONS

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

Middle School Community Facilities District (CFD) Bonds in the principal amount of \$6,400,000 were issued on September 2, 1990 by the City under the Mello-Roos Community Facilities Act of 1982. 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 solely by special assessment revenue from CFD No. 1990-1. As of June 30, 2014, the outstanding balance of the non-city bond obligation was \$3,293,000.

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

Clayton Station Community Facilities District (CFD) Bonds in the principal amount of \$1,269,000 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 solely by special assessment revenue from CFD 1990-2. As of June 30, 2014 the outstanding balance of the non-city bond obligation was \$235,000.

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, 2014, the outstanding balance of the non-city bond obligation was \$178,325.

7. NON-CITY OBLIGATIONS, Continued

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 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. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. 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 CFD 1990-1 Local Obligations. As of June 30, 2014, the outstanding balance of the non-city bond obligation was \$3,185,000.

8. OTHER FUND DISCLOSURES

A. *Expenditures over Appropriations*

At June 30, 2014, the Clayton Development Impact Fund had expenditures in excess of appropriations of \$1,818.

B. *Deficit Fund Balances*

At June 30, 2014, the funds below had the following deficit fund balance or net position:

	<u>Amount</u>
Non-major – Stormwater Treatment District	\$ <u>(2,550)</u>
Total Governmental Funds	\$ <u>(2,550)</u>
 Community Gym	 \$ <u>(4,871)</u>
Total Proprietary Funds	\$ <u><u>(4,871)</u></u>

The deficits in the Community Gym and Stormwater Treatment District 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 \$72,524 for fiscal year 2013-2014 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, 2014.

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.

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description – The City contributes to the California Public Employees Retirement System (PERS). Both the miscellaneous and safety employee groups of the City are part of a three-tier agent cost-sharing multiple-employer defined benefit plan. The City's retirement plans are under the PERS Safety 3% at 55 Risk Pool (Tier I Safety plan), Safety 2% at 50 (Tier II Safety plan), and Safety 2.7% at 57 Risk Pool (Tier III Safety plan) for police employees and Miscellaneous 2% at 55 Risk Pool (Tier I Miscellaneous plan), Miscellaneous 2% at 60 Risk Pool (Tier II Miscellaneous plan), and Miscellaneous 2% at 62 (Tier III Miscellaneous plan) Risk Pool for all other employees dependent on the employee's hire date.

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 and can be amended only by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Offices located at 400 P Street, Sacramento, California, California 95814.

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funding Policy – Eligible police employees and all other employees hired on or before January 1, 2013 are part of the Tier I (or “Classic”) plan. Although required Tier I members are required to contribute 7% and 9% of their annual covered salary respectively, the City makes these contributions for members on their behalf and for their account. Contributions made by the City on behalf of employees in the Tier I group totaled \$52,034 and \$55,158 for Miscellaneous and Safety employees respectively for the fiscal year ending June 30, 2014. Eligible police employees and all other employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in PERS with a previous employer are enrolled in the Tier II plan and are required to contribute 9% and 7% respectively, of their annual covered salary to PERS. Eligible police employees and all other employees hired after January 1, 2013 and are new entrants to the PERS system are part of the Tier III plan and participants are required to contribute 6.25% and 11.50% respectively, of their annual covered salary to PERS.

The City as employer is required to contribute an actuarially determined payment that is reflected as a percentage of annual covered payrolls for miscellaneous and safety employees. The required employer contribution rates for fiscal year 2013-14 are summarized below:

Plan Type	Employer Contribution Rate
Miscellaneous Plan	
Tier I	16.445%
Tier II	8.049%
Tier III	6.250%
Safety Plan	
Tier I	38.163%
Tier II	19.900%
Tier III	11.500%

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City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

In fiscal year 2013-14 the City contributed the actuarially determined rate provided by PERS actuaries. Under GASB 27 an employer reports and annual pension cost (APC) equal to the annual required contribution (ARC) plus and adjustment for the cumulative difference between the APC and the employer's actual plan contribution for the year. The cumulative difference is called the net pension obligation (NPO). The table below summarizes the three year trend information on the ARC for the Miscellaneous and Safety plans:

Miscellaneous Employees Plans

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>
June 30, 2012	\$ 204,827	100%
June 30, 2013	195,439	100%
June 30, 2014	181,983	100%

Safety Employees Plans

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>
June 30, 2012	\$ 386,560	100%
June 30, 2013	351,781	100%
June 30, 2014	335,163	100%

Actuarial Assumptions – Below is a summary of principal assumptions and methods of the actuary report used to determining the annual required contributions for the fiscal year ending June 30, 2014:

Actuarial Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Period	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% - 14.20% (based on age, service and type of employment)
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

11. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description - 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 offers 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 2014, there were six retired employees receiving retiree premium benefits. Their contributions totaled \$24,402 (81% of the total) monthly contributions. The City contributed retiree premiums of \$5,849 (19% of the total) and there was no additional pre funding contribution.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post employment benefit (OPEB) cost 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)	\$ 45,457
Interest on net OPEB obligation	2,958
Adjustment to ARC	(4,112)
Annual OPEB Cost	<u>44,303</u>
Contributions made by the City	(5,849)
Contributions made by retirees	(24,402)
Total Contributions	<u>(30,251)</u>
Increase (decrease) in net OPEB obligation	14,052
Net OPEB obligation (asset) as of July 1, 2013	<u>73,939</u>
Net OPEB obligation (asset) as of June 30, 2014	<u><u>\$ 87,991</u></u>

The City's annual OPEB cost was \$44,303 resulting in a net OPEB obligation of \$87,991. The fiscal year ended June 30, 2010 was the first year for which an actuarially determined ARC of \$50,667 was calculated for the City of Clayton Retired Employees Health Care Program. The total implied subsidies for the years ended June 30, 2013 and 2014 were \$39,349 and \$30,251, respectively.

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 \$428,065, which is 19% of the \$2,237,865 City payroll. There are no plan assets and as of June 30, 2014, 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 July 1, 2012 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 7% initially, reduced ultimately to 5% by 2023. The UAAL is being amortized using the level dollar method and an amortization period of 30 years.

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES

This purpose of this footnote is to explain the impacts of the dissolution of the Redevelopment Agency on the City's financial statements.

On June 28, 2011, the California State Legislature adopted two pieces of legislation - AB IX 26 and AB IX 27 (the Bill) - that eliminated redevelopment agencies and provided cities with the opportunity to preserve their redevelopment agency if they agreed to make certain payments to the County Auditor Controller. On behalf of cities and redevelopment agencies throughout the State, the League of California Cities and California Redevelopment Association requested a stay on the implementation of both pieces of legislation and filed a lawsuit with the California Supreme Court challenging both pieces of legislation. The stay was rejected and on December 29, 2011, the Supreme Court validated AB IX 26 and overturned AB IX 27. Further, the Supreme Court indicated that all redevelopment agencies in the State of California were to be dissolved and cease operations as a legal entity as of February 1, 2012.

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

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

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

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

Amongst numerous requirements, AB IX 26 requires the following:

- i. subject to the control of a newly established oversight board, assets of the former redevelopment agency must be disposed expeditiously and property tax revenue generated by a former redevelopment agency can only be used to pay enforceable obligations (i.e. debt obligations and other third party contractual obligations);
- ii. either the city or another unit of local government may agree to serve as the “Successor Agency” to hold the net position until they are distributed to units of state and local government;
- iii. successor agencies may transfer housing functions of the former redevelopment agency to the appropriate entity; and
- iv. any property tax revenue in excess of enforceable obligations is to be distributed by county auditor controllers to taxing entities, which includes the City, as surplus property tax.

As a result of the restrictions placed on the assets and liabilities of the former redevelopment agency, they were transferred to a private purpose trust fund on February 1, 2012. Prior to the transfer, the Redevelopment Agency was treated as a blended component unit in fiscal year 2011-2012. On January 11, 2012, the City Council elected to become the Successor Agency to the former Redevelopment Agency in accordance with AB IX 26 as part of City resolution number 03-2012.

Subsequent to the adoption of AB IX 26 and AB IX 27, the California State Legislature adopted AB 1484 in June 2012. Among other things, AB 1484 required the following:

- i. A process to transfer housing assets of the former redevelopment agency to the entity designated to receive these assets. In the case of the City, assets with a total value of \$14,057,320 and liabilities with a total value of \$10,999,595 were transferred to the Successor Agency from the former Redevelopment Agency.

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

- ii. Requirements that the Successor Agency must complete reviews (Due Diligence Reviews) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. The Due Diligence Reviews of the Clayton Successor Agency were finalized and approved by the Oversight Board on October 9, 2014 via Resolution No. 2014-04 and 2014-05. These reports concluded that payments of \$887,404 and \$3,791,725 are required to be remitted to Contra Costa County by the Redevelopment Successor Agency and Successor Housing Agency respectively.
- iii. Upon the California Department of Finance's approval of the Due Diligence Reviews, and the distribution of unobligated funds, the Successor Agency can apply for a Finding of Completion. The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition by receiving the Finding of Completion, the City may establish loans between the City and the former Redevelopment Agency as enforceable obligations. As noted previously, as of the date of this report, the City's Due Diligence Reviews had not been finalized.

A. *Successor Agency Assets and Liabilities*

Cash and Investments

The total cash and investments balance of \$5,627,066 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB IX 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor Controller for distribution to taxing entities. See note 4 for further information and disclosures regarding the City's pooled cash and investments.

Restricted Cash and Investments

\$331,020 represents cash and investments held by fiscal agents at June 30, 2014, which has been designated for debt service payments.

B. *Loans To Other Funds*

Notes Receivable transferred from former RDA to Successor Agency, effective February 1, 2012:

The former RDA provided assistance to special assessment districts within the City, to fund repairs and improvements. The High Street Permanent Road Division and Oak Street Sewer Assessment District received loans from the former RDA to finance necessary infrastructure improvements. These loans are secured by special assessment property tax levies within the District's boundaries. As of June 30, 2014, the outstanding balance of the loans due to the Successor Agency was \$165,364.

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

B. Loans To Other Funds, continued

On September 21, 1999, the former RDA 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 former RDA 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 former RDA 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, 2014, the outstanding balance of the loan due to the Successor Agency was \$3,483,400.

On October 13, 1992, the former RDA 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, 2014, the outstanding balance of the loan due to the Successor Agency was \$567,000.

The former RDA participated 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, 2014, the outstanding balance of the loans due to the Successor Agency was \$156,800.

C. Due To the City Of Clayton

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2014, the outstanding balance of the note was \$475,000.

On February 16, 2010, the former RDA recognized a debt incurred from 1987 through 2009 which was owed to the City in the amount of \$501,899. The debt resulted from the former RDA omitting payment to the City of an annual 2% election payment for twenty-one fiscal years. The City recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. As of June 30, 2014, the balance due from the Successor Agency is \$501,899.

D. Advance From LMI Fund

On May 10, 2011, the former 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 2011-12 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan is to be repaid by the Successor Agency without interest by June 30, 2015.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

E. Long-Term Debt

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2014:

	Balance June 30, 2013	Additions/ (Deletions)	Balance June 30, 2014	Due within One Year	Due in more than One Year
1996 Series A Refunding Tax Allocation Bonds	\$ 230,000	\$ (230,000)	\$ -	\$ -	\$ -
1999 Tax Allocation Bonds	4,330,000	(4,330,000)	-	-	-
2014 Refunding Tax Allocation Bonds	-	3,790,000	3,790,000	-	3,790,000
Total	\$ 4,560,000	\$ (770,000)	\$ 3,790,000	\$ -	\$ 3,790,000

2014 Refunding Tax Allocation Bonds

Refunding Tax Allocation Bonds, Series 2014, in the principal amount of \$3,790,000 were issued on June 25, 2014 by the Redevelopment Retirement Trust Fund ("Successor Agency"). Principal payments are payable on August 1 of each year, beginning on August 1, 2015. Interest payments are payable semi-annually on February 1 and August 1. The bonds are special obligations of the Successor Agency and are secured by the Successor Agency's tax increment revenue.

The current refunding was exercised in order to take advantage of more favorable interest rates. The refunding decreased the City's total debt service payments by approximately \$601,895. The transaction resulted in economic gain (difference between present value of the debt service on the old and new bonds) of approximately \$580,184.

The annual debt service requirements to amortize the Successor Agency's 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 52,302	\$ 52,302
2016	325,000	83,433	408,433
2017	330,000	75,900	405,900
2018	395,000	67,563	462,563
2019	400,000	58,420	458,420
2020-2025	2,340,000	158,515	2,498,515
Total	\$ 3,790,000	\$ 496,133	\$ 4,286,133

13. 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.

On October 9, 2014 the Oversight Board to the Clayton Successor Agency adopted Resolutions 2014-04 and 2014-05, which approved the Due Diligence Reviews (DDR's) of the former Low and Moderate Income (LMI) Housing Fund and All Other Funds of the former Successor Agency to remit payments of \$3,791,725 in LMI and \$887,404 in non-housing former redevelopment funds to Contra Costa County Auditor-Controller for distribution to the affected taxing entities. The City's General Fund share of this loss is estimated to fall between \$262,638 and \$450,000 although there is significant uncertainty on accuracy of this range given the State Controller's Office has yet to release its final report on asset transfers between the City and former RDA between January 1, 2011 and January 31, 2012.

14. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2014, the City determined that the write-off of a bad debt that was charged to the Community Gym Fund (a proprietary fund) in the fiscal year ended June 30, 2011 should have been charged to the General Fund given that the Community Gym enterprise was not expected to have a reasonable means of having and repaying the loss through operational revenues. As a result, the beginning fund balance of the General Fund has been decreased by \$90,690 and the beginning balance of the Community Gym Fund has been increased by \$90,690.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2014, 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.

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City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

16. FUND BALANCES

The detail of fund balance classifications is as follows:

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>Landscape Maintenance</u>	<u>Measure J Fund</u>	<u>Gas Tax</u>
Non-spendable:				
Notes receivable	1,233,006	-	-	-
Prepaid expenses	9,340	-	-	-
Total Non-spendable Fund Balance	<u>1,242,346</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:				
Transportation	-	-	98,909	219,017
Stormwater unfunded mandates	-	-	-	-
Streetlighting	-	-	-	-
Landscaping	-	264,629	-	-
Parks	-	-	-	-
Grant funded programs	-	-	-	-
Hazard prevention and repair	-	-	-	-
Total Restricted Fund Balance	<u>-</u>	<u>264,629</u>	<u>98,909</u>	<u>219,017</u>
Committed for:				
Geological hazard prevention and repair	-	-	-	-
Development impact	-	-	-	-
Total Committed Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned for:				
FY 2014-15 budget	-	75,533	-	-
Labor relations contract negotiations	34,542	-	-	-
Capital projects	-	-	-	-
Total Assigned Fund Balance	<u>34,542</u>	<u>75,533</u>	<u>-</u>	<u>-</u>
Unassigned	<u>3,871,849</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>5,148,737</u>	<u>340,162</u>	<u>98,909</u>	<u>219,017</u>

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2014

16. FUND BALANCES, Continued

Fund Balance Classifications	Clayton Development Impact Fees	Capital Improvement	Downtown Park CFD	Non-major funds	Total
Non-spendable:					
Notes receivable	-	-	-	-	1,233,006
Prepaid expenses	-	-	-	-	9,340
Total Non-spendable Fund Balance	-	-	-	-	1,242,346
Restricted for:					
Transportation	-	-	-	-	317,926
Stormwater unfunded mandates	-	-	-	109,495	109,495
Streetlighting	-	-	-	143,156	143,156
Landscaping	-	-	-	-	264,629
Parks	-	-	237,393	-	237,393
Grant funded programs	-	-	-	290,495	290,495
Hazard prevention and repair	-	-	-	35,970	35,970
Total Restricted Fund Balance	-	-	237,393	579,116	1,399,064
Committed for:					
Geological hazard prevention and repair	-	-	-	119,558	119,558
Development impact	709,863	-	-	-	709,863
Total Committed Fund Balance	709,863	-	-	119,558	829,421
Assigned for:					
FY 2014-15 budget	-	-	38,067	77,743	191,343
Labor relations contract negotiations	-	-	-	-	34,542
Capital projects	-	2,162,971	-	-	2,162,971
Total Assigned Fund Balance	-	2,162,971	38,067	77,743	2,388,856
Unassigned	-	-	-	(2,550)	3,869,299
Total Fund Balance	709,863	2,162,971	275,460	773,867	9,728,986

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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, 2014

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,711,926	\$ 1,711,926	\$ 1,862,734	\$ 150,808
Program income	5,332	5,332	10,668	5,336
Sales tax	333,853	333,853	370,330	36,477
Permits, licenses and fees	249,682	249,682	249,704	22
Fines, forfeitures and penalties	94,903	94,903	78,173	(16,730)
From other agencies	72,625	72,625	84,173	11,548
Motor vehicle in-lieu fees	-	-	4,703	4,703
Other in-lieu fees	148,839	148,839	148,839	-
Franchise fees	492,076	492,076	504,867	12,791
Service charges	126,883	126,883	338,626	211,743
Use of money and property	60,000	60,000	31,452	(28,548)
Other revenue	15,074	15,074	25,514	10,440
TOTAL REVENUES	<u>3,311,193</u>	<u>3,311,193</u>	<u>3,709,783</u>	<u>398,590</u>
EXPENDITURES				
General government	1,042,067	1,200,600	1,118,026	82,574
Public works	115,382	190,294	156,981	33,313
Parks and recreation services	344,357	345,998	352,498	(6,500)
Community and economic development	387,887	389,873	405,589	(15,716)
Public safety	1,794,926	1,799,373	1,889,003	(89,630)
TOTAL EXPENDITURES	<u>3,684,619</u>	<u>3,926,138</u>	<u>3,922,097</u>	<u>4,041</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(373,426)</u>	<u>(614,945)</u>	<u>(212,314)</u>	<u>402,631</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	397,647	397,647	148,310	(249,337)
Transfers out	-	(79,154)	(79,154)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>397,647</u>	<u>318,493</u>	<u>69,156</u>	<u>(249,337)</u>
Net Change	<u>\$ 24,221</u>	<u>\$ (296,452)</u>	<u>(143,158)</u>	<u>\$ 153,294</u>
FUND BALANCES:				
Beginning of year			5,382,585	
Prior period adjustment to correct error (See Note 14)			(90,690)	
Beginning of fiscal year, as restated			<u>5,291,895</u>	
End of year			<u>\$ 5,148,737</u>	

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MAJOR FUNDS

City of Clayton
Budgetary Comparison Schedule
Capital Improvements Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Use of money and property	\$ -	\$ 13,400	\$ 13,400
Other revenue	<u>97,500</u>	<u>138,824</u>	<u>41,324</u>
TOTAL REVENUES	<u>97,500</u>	<u>152,224</u>	<u>54,724</u>
EXPENDITURES			
Capital outlay	<u>591,369</u>	<u>276,856</u>	<u>314,513</u>
TOTAL EXPENDITURES	<u>591,369</u>	<u>276,856</u>	<u>314,513</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(493,869)</u>	<u>(124,632)</u>	<u>369,237</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	453,241	92,780	(360,461)
Transfers out	<u>(35,398)</u>	<u>(317,583)</u>	<u>(282,185)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>417,843</u>	<u>(224,803)</u>	<u>(642,646)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (76,026)</u>	<u>(349,435)</u>	<u>\$ (273,409)</u>
FUND BALANCES:			
Beginning of year		<u>2,512,406</u>	
End of year		<u>\$ 2,162,971</u>	

City of Clayton
Budgetary Comparison Schedule
Clayton Development Impact Fees
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Use of money and property	\$ 10,000	\$ 5,319	\$ (4,681)
TOTAL REVENUES	<u>10,000</u>	<u>5,319</u>	<u>(4,681)</u>
EXPENDITURES			
Community and economic development	<u>-</u>	<u>1,818</u>	<u>(1,818)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>1,818</u>	<u>(1,818)</u>
REVENUES OVER (UNDER) EXPENDITURES	10,000	3,501	(6,499)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 10,000</u>	3,501	<u>\$ (6,499)</u>
FUND BALANCES:			
Beginning of year		<u>706,362</u>	
End of year		<u>\$ 709,863</u>	

City of Clayton
Budgetary Comparison Schedule
Clayton Landscape Maintenance Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special Assessments	\$ 978,034	\$ 978,034	\$ -
Use of money and property	4,000	2,914	(1,086)
Other revenue	<u>-</u>	<u>1,200</u>	<u>1,200</u>
TOTAL REVENUES	<u>982,034</u>	<u>982,148</u>	<u>114</u>
EXPENDITURES			
Public works	844,942	713,139	131,803
Capital outlay	<u>82,900</u>	<u>43,752</u>	<u>39,148</u>
TOTAL EXPENDITURES	<u>927,842</u>	<u>756,891</u>	<u>170,951</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>54,192</u>	<u>225,257</u>	<u>171,065</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(32,156)</u>	<u>(42,955)</u>	<u>(10,799)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,156)</u>	<u>(42,955)</u>	<u>(10,799)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 22,036</u>	182,302	<u>\$ 160,266</u>
FUND BALANCES:			
Beginning of year		<u>157,860</u>	
End of year		<u>\$ 340,162</u>	

City of Clayton
Budgetary Comparison Schedule
Measure J Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 227,000	\$ 260,422	\$ 33,422
Use of money and property	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
TOTAL REVENUES	<u>228,500</u>	<u>260,422</u>	<u>31,922</u>
EXPENDITURES			
Public works	<u>4,392</u>	<u>792</u>	<u>3,600</u>
TOTAL EXPENDITURES	<u>4,392</u>	<u>792</u>	<u>3,600</u>
REVENUES OVER (UNDER) EXPENDITURES	224,108	259,630	35,522
OTHER FINANCING SOURCES (USES)			
Transfers in	-	120,244	120,244
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>116,244</u>	<u>120,244</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 220,108</u>	375,874	<u>\$ 155,766</u>
FUND BALANCES:			
Beginning of year		<u>(276,965)</u>	
End of year		<u>\$ 98,909</u>	

City of Clayton
Budgetary Comparison Schedule
Downtown Park CFD Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 116,834	\$116,834	\$ -
Permits, licenses and fees	-	608	608
Use of money and property	2,000	2,142	142
Other revenue	<u>10,000</u>	<u>10,000</u>	<u>-</u>
TOTAL REVENUES	<u>128,834</u>	<u>129,584</u>	<u>750</u>
EXPENDITURES			
Public works	104,477	113,217	(8,740)
Capital outlay	<u>40,363</u>	<u>15,910</u>	<u>24,453</u>
TOTAL EXPENDITURES	<u>144,840</u>	<u>129,127</u>	<u>15,713</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(16,006)</u>	<u>457</u>	<u>16,463</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(6,533)</u>	<u>(6,533)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,533)</u>	<u>(6,533)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (22,539)</u>	<u>(6,076)</u>	<u>\$ 16,463</u>
FUND BALANCES:			
Beginning of year		<u>281,536</u>	
End of year		<u>\$275,460</u>	

City of Clayton
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 25,675	\$ 27,480	\$ 1,805
From other agencies	291,857	352,898	61,041
Use of money and property	<u>1,500</u>	<u>2,186</u>	<u>686</u>
TOTAL REVENUES	<u>319,032</u>	<u>382,564</u>	<u>63,532</u>
EXPENDITURES			
Public works	<u>134,722</u>	<u>90,043</u>	<u>44,679</u>
TOTAL EXPENDITURES	<u>134,722</u>	<u>90,043</u>	<u>44,679</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>184,310</u>	<u>292,521</u>	<u>108,211</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	161,941	161,941
Transfers out	<u>(134,928)</u>	<u>(89,580)</u>	<u>45,348</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(134,928)</u>	<u>72,361</u>	<u>207,289</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 49,382</u>	364,882	<u>\$ 315,500</u>
FUND BALANCES:			
Beginning of year		<u>(145,865)</u>	
End of year		<u>\$ 219,017</u>	

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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 real property 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 voter-approved real property 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.

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

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
For the fiscal year ended June 30, 2014

	Special Revenue			
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement
ASSETS				
Cash and investments	\$ 163,024	\$ -	\$ 167,357	\$ 119,558
Accounts receivable	-	-	15,844	-
TOTAL ASSETS	<u>\$ 163,024</u>	<u>\$ -</u>	<u>\$ 183,201</u>	<u>\$ 119,558</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 8,891	\$ -	\$ 3,927	\$ -
Other payables	4,085	-	824	-
Due to other funds	-	2,550	-	-
TOTAL LIABILITIES	<u>12,976</u>	<u>2,550</u>	<u>4,751</u>	<u>-</u>
FUND BALANCE				
Restricted	143,156	-	109,495	-
Committed	-	-	-	119,558
Assigned	6,892	-	68,955	-
Unassigned	-	(2,550)	-	-
TOTAL FUND Balance	<u>150,048</u>	<u>(2,550)</u>	<u>178,450</u>	<u>119,558</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 163,024</u>	<u>\$ -</u>	<u>\$ 183,201</u>	<u>\$ 119,558</u>

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
For the fiscal year ended June 30, 2014

<u>Special Revenue</u>		
<u>Oakhurst Geological Hazard Abatement District</u>	<u>Grants</u>	<u>Total Other Governmental Funds</u>
\$ 39,385	\$ 264,000	\$ 753,324
<u>-</u>	<u>30,129</u>	<u>45,973</u>
<u>\$ 39,385</u>	<u>\$ 294,129</u>	<u>\$ 799,297</u>
\$ 1,518	\$ 3,635	\$ 17,971
-	-	4,909
<u>-</u>	<u>-</u>	<u>2,550</u>
<u>1,518</u>	<u>3,635</u>	<u>25,430</u>
35,971	290,494	579,116
-	-	119,558
1,896	-	77,743
<u>-</u>	<u>-</u>	<u>(2,550)</u>
<u>37,867</u>	<u>290,494</u>	<u>773,867</u>
<u>\$ 39,385</u>	<u>\$ 294,129</u>	<u>\$ 799,297</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, 2014

	Special Revenue			
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement
REVENUES				
Special assessments	\$ 125,991	\$ -	\$ 93,982	\$ -
Permits, licenses and fees	-	-	40,286	-
Intergovernmental	-	-	456	-
Use of money and property	1,199	-	923	828
TOTAL REVENUES	<u>127,190</u>	<u>-</u>	<u>135,647</u>	<u>828</u>
EXPENDITURES				
Current				
Community and economic development	-	-	-	-
Public works	115,816	-	103,414	-
Public safety	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>115,816</u>	<u>-</u>	<u>103,414</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>11,374</u>	<u>-</u>	<u>32,233</u>	<u>828</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	912	-
Transfers out	(10,280)	-	(33,183)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,280)</u>	<u>-</u>	<u>(32,271)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,094	-	(38)	828
FUND BALANCES				
Beginning of year	<u>148,954</u>	<u>(2,550)</u>	<u>178,488</u>	<u>118,730</u>
End of year	<u>\$ 150,048</u>	<u>\$ (2,550)</u>	<u>\$ 178,450</u>	<u>\$ 119,558</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, 2014

Special Revenue		
Oakhurst Geological Hazard Abatement District	Grants	Total Other Governmental Funds
\$ 35,336	\$ -	\$ 255,309
-	-	40,286
-	152,946	153,402
528	1,751	5,229
<u>35,864</u>	<u>154,697</u>	<u>454,226</u>
3,006	-	3,006
-	-	219,230
-	61,031	61,031
-	56,987	56,987
<u>3,006</u>	<u>118,018</u>	<u>340,254</u>
<u>32,858</u>	<u>36,679</u>	<u>113,972</u>
-	-	912
(20,073)	-	(63,536)
(20,073)	-	(62,624)
12,785	36,679	51,348
<u>25,082</u>	<u>253,815</u>	<u>722,519</u>
<u>\$ 37,867</u>	<u>\$ 290,494</u>	<u>\$ 773,867</u>

City of Clayton
Budgetary Comparison Schedule
Grants Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 119,805	\$152,946	\$ 33,141
Use of money and property	2,000	1,751	(249)
Other revenues	<u>45,375</u>	<u>-</u>	<u>(45,375)</u>
TOTAL REVENUES	<u>167,180</u>	<u>154,697</u>	<u>(12,483)</u>
EXPENDITURES			
Current:			
Public safety	110,062	61,031	49,031
Capital outlay	<u>52,558</u>	<u>56,987</u>	<u>(4,429)</u>
TOTAL EXPENDITURES	<u>162,620</u>	<u>118,018</u>	<u>44,602</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,560</u>	36,679	<u>\$ 32,119</u>
FUND BALANCES:			
Beginning of year		<u>253,815</u>	
End of year		<u>\$290,494</u>	

City of Clayton
Budgetary Comparison Schedule
Oakhurst Geological Hazard Abatement District Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 34,685	\$ 35,336	\$ 651
Use of money and property	130	528	398
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>34,815</u>	<u>35,864</u>	<u>1,049</u>
EXPENDITURES			
Current:			
Community and economic development	<u>18,162</u>	<u>3,006</u>	<u>15,156</u>
TOTAL EXPENDITURES	<u>18,162</u>	<u>3,006</u>	<u>15,156</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>16,653</u>	<u>32,858</u>	<u>16,205</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(20,073)</u>	<u>(20,073)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,073)</u>	<u>(20,073)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (3,420)</u>	12,785	<u>\$ 16,205</u>
FUND BALANCES:			
Beginning of year		<u>25,082</u>	
End of year		<u>\$ 37,867</u>	

City of Clayton
Budgetary Comparison Schedule
Stormwater Assessment Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES			
Special assessments	\$ 83,949	\$ 93,982	\$ 10,033
Permits, licenses and fees	40,945	40,286	(659)
Intergovernmental	-	456	456
Use of money and property	<u>1,000</u>	<u>923</u>	<u>(77)</u>
TOTAL REVENUES	<u>125,894</u>	<u>135,647</u>	<u>9,753</u>
EXPENDITURES			
Current:			
Public works	162,381	103,414	58,967
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>162,381</u>	<u>103,414</u>	<u>58,967</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(36,487)</u>	<u>32,233</u>	<u>68,720</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	912	912	-
Transfers out	<u>(33,183)</u>	<u>(33,183)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,271)</u>	<u>(32,271)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (68,758)</u>	(38)	<u>\$ 68,720</u>
FUND BALANCES:			
Beginning of year		<u>178,488</u>	
End of year		<u>\$178,450</u>	

City of Clayton
Budgetary Comparison Schedule
Street Lighting Special Revenue Fund
For the fiscal year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 125,991	\$125,991	\$ -
Use of money and property	<u>2,000</u>	<u>1,199</u>	<u>(801)</u>
TOTAL REVENUES	<u>127,991</u>	<u>127,190</u>	<u>(801)</u>
EXPENDITURES			
Current:			
Public works	<u>118,047</u>	<u>115,816</u>	<u>2,231</u>
TOTAL EXPENDITURES	<u>118,047</u>	<u>115,816</u>	<u>2,231</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>9,944</u>	<u>11,374</u>	<u>1,430</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(10,280)</u>	<u>(10,280)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,280)</u>	<u>(10,280)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (336)</u>	1,094	<u>\$ 1,430</u>
FUND BALANCES:			
Beginning of year		<u>148,954</u>	
End of year		<u>\$150,048</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, 2014

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 127,378	\$ 74,884	\$202,262
Noncurrent Assets:			
Depreciable assets, net	<u>344,975</u>	<u>-</u>	<u>344,975</u>
TOTAL ASSETS	<u>472,353</u>	<u>74,884</u>	<u>547,237</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>-</u>	<u>42</u>	<u>42</u>
TOTAL LIABILITIES	<u>-</u>	<u>42</u>	<u>42</u>
NET POSITION			
Invested in capital assets, net of related debt	344,975	-	344,975
Unrestricted	<u>127,378</u>	<u>74,842</u>	<u>202,220</u>
TOTAL NET POSITION	<u>\$ 472,353</u>	<u>\$ 74,842</u>	<u>\$547,195</u>

City of Clayton
Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2014

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
OPERATING REVENUES			
Charges for current services	\$ 16,200	\$ -	\$ 16,200
TOTAL OPERATING REVENUES	<u>16,200</u>	<u>-</u>	<u>16,200</u>
OPERATING EXPENSES			
General and administrative	344	1,771	2,115
Depreciation and amortization	<u>117,520</u>	<u>-</u>	<u>117,520</u>
TOTAL OPERATING EXPENSES	<u>117,864</u>	<u>1,771</u>	<u>119,635</u>
OPERATING INCOME (LOSS)	(101,664)	(1,771)	(103,435)
NONOPERATING REVENUES (EXPENSES)			
Transfer from general fund	25,000	54,154	79,154
Loss on disposal of assets	-	-	-
Investment income (loss)	<u>939</u>	<u>738</u>	<u>1,677</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>25,939</u>	<u>54,892</u>	<u>80,831</u>
CHANGE IN NET POSITION	(75,725)	53,121	(22,604)
Beginning of fiscal year	<u>548,078</u>	<u>21,721</u>	<u>569,799</u>
End of fiscal year	<u>\$ 472,353</u>	<u>\$ 74,842</u>	<u>\$ 547,195</u>

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2014

	Capital Replacement	Self-Insurance Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/otherfunds	16,200	-	16,200
Cash payment to suppliers for good and services	<u>(344)</u>	<u>(1,729)</u>	<u>(2,073)</u>
Net cash provided (used) by operating activities	<u>15,856</u>	<u>(1,729)</u>	<u>14,127</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer from general fund	<u>25,000</u>	<u>54,154</u>	<u>79,154</u>
Net cash provided (used) by capital and related financing activities	<u>25,000</u>	<u>54,154</u>	<u>79,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>939</u>	<u>738</u>	<u>1,677</u>
Net Cash provided (used) by investing activities	<u>939</u>	<u>738</u>	<u>1,677</u>
Net increase (decrease) in cash and cash equivalents	41,795	53,163	94,958
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	<u>85,583</u>	<u>21,721</u>	<u>107,304</u>
End of fiscal year	<u>\$ 127,378</u>	<u>\$ 74,884</u>	<u>\$202,262</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(101,664)	(1,771)	(103,435)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	117,520	-	117,520
Accounts payable	<u>-</u>	<u>42</u>	<u>42</u>
Total Adjustments	<u>117,520</u>	<u>42</u>	<u>117,562</u>
Net cash provided (used) by operating activities	<u>\$ 15,856</u>	<u>\$ (1,729)</u>	<u>\$ 14,127</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.

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

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 real property assessments collected to maintain bridges.

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

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

Oak Street Sewer Assessment – accounts for real property 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.

Diablo Estates Benefit Assessment – accounts for parcel owner approved real property assessments collected to maintain certain infrastructure components (including street lighting) for the Diablo Estates development.

City of Clayton
Statements of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2014

	<u>Deposits</u>	<u>Oakhurst Assessment District</u>	<u>Clayton Financing Authority</u>	<u>Middle School CFD</u>	<u>Clayton Station CFD</u>	<u>High Street Bridge</u>
Assets:						
Cash and investments	\$ 728,485	\$ 5,863	\$ 693,528	\$ 462,916	\$ 197,059	\$ 4,542
Cash with fiscal agent	-	-	-	-	-	-
Investments held in trust	1,518,019	-	-	-	-	-
Assessments receivable	-	-	-	3,293,000	235,000	22,834
Investment in bonds	-	-	-	-	-	-
	<u>\$ 2,246,504</u>	<u>\$ 5,863</u>	<u>\$ 693,528</u>	<u>\$ 3,755,916</u>	<u>\$ 432,059</u>	<u>\$ 27,376</u>
Liabilities:						
Accounts payable	\$ 18,567	\$ -	\$ -	\$ -	\$ -	\$ -
Local obligations payable	-	-	-	3,293,000	-	-
Benefit plan obligations	1,518,019	-	-	-	-	-
Other liabilities	72,763	5,863	693,528	462,916	197,059	4,542
Other deposits	637,155	-	-	-	-	-
Notes payable	-	-	-	-	-	22,834
Due to bondholders	-	-	-	-	235,000	-
Total liabilities	<u>\$ 2,246,504</u>	<u>\$ 5,863</u>	<u>\$ 693,528</u>	<u>\$ 3,755,916</u>	<u>\$ 432,059</u>	<u>\$ 27,376</u>

City of Clayton
Statements of Changes in Assets and Liabilities, Continued
Agency Funds
For the Fiscal Year Ended June 30, 2014

<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>Diablo Estates Benefit District</u>	<u>Total</u>	<u>June 30, 2013</u>
\$ 19,175	\$ 71,774	\$ 3,976	\$ 125,746	\$ 46,390	\$ 2,359,454	\$ 1,716,273
-	14,634	-	454,193	-	468,827	423,157
-	-	-	-	-	1,518,019	1,202,549
19,922	178,325	142,530	-	-	3,891,611	3,953,928
-	-	-	3,293,000	-	3,293,000	3,554,000
<u>\$ 39,097</u>	<u>\$ 264,733</u>	<u>\$ 146,506</u>	<u>\$3,872,939</u>	<u>\$ 46,390</u>	<u>\$ 11,530,911</u>	<u>\$ 10,849,907</u>
\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 18,568	\$ 395,837
-	-	-	-	-	3,293,000	3,554,000
-	-	-	-	-	1,518,019	1,202,549
19,175	86,408	3,976	687,939	34,839	2,269,008	21,836
-	-	-	-	11,550	648,705	670,286
19,922	-	142,530	-	-	185,286	-
-	178,325	-	3,185,000	-	3,598,325	5,005,399
<u>\$ 39,097</u>	<u>\$ 264,733</u>	<u>\$ 146,506</u>	<u>\$3,872,939</u>	<u>\$ 46,390</u>	<u>\$ 11,530,911</u>	<u>\$ 10,849,907</u>

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

To the City Council
City of Clayton, California

We have audited, 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, the 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 the City of Clayton as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Clayton's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clayton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clayton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clayton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clayton's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

October 22, 2014