

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Photo by Wayne Miller

CITY OF CLAYTON, CALIFORNIA

City of Clayton, California
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

Prepared by

Finance Department

T. Kevin Mizuno, CPA
Finance Manager

This page intentionally left blank

INTRODUCTORY SECTION

City of Clayton
 Comprehensive Annual Financial Report
 For the year ended June 30, 2016
 Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i
Letter of Transmittal.....	v
Mission Statement.....	ix
Organizational Chart.....	x
Principal Officers and Department Heads	xi
Regional Map of Clayton and Nearby Cities.....	xii
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
 Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position.....	19
Statement of Activities and Changes in Net Position.....	20
 <i>Governmental Fund Financial Statements:</i>	
Balance Sheet.....	25
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	28
Statement of Revenues, Expenditures and Changes in Fund Balances.....	29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities and Changes in Net Position.....	32
 <i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position.....	35
Statement of Revenues, Expenses and Changes in Net Position.....	36
Statement of Cash Flows.....	37
 <i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position.....	39
Statement of Changes in Fiduciary Net Position.....	40

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2016
Table of Contents

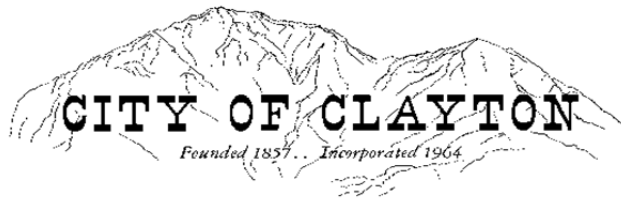
	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Basic Financial Statements, Continued	
<i>Notes to Basic Financial Statements</i>	42
Required Supplementary Information	
<i>Notes to the Required Supplementary Information</i>	99
<i>Budgetary Comparison Schedules</i>	
General Fund.....	100
Landscape Maintenance District	101
Housing Successor Agency.....	102
Capital Improvement Program	103
<i>Pension Plan Funding Status</i>	
Schedule of Proportionate Share of Net Pension Liability	
Miscellaneous Tier I Plan	105
Schedule of Pension Plan Contributions Miscellaneous Tier I Plan	106
Schedule of Proportionate Share of Net Pension Liability	
Miscellaneous Tier II Plan	107
Schedule of Pension Plan Contributions Miscellaneous Tier II Plan	108
Schedule of Proportionate Share of Net Pension Liability	
Miscellaneous PEPRA Plan	109
Schedule of Pension Plan Contributions Miscellaneous PEPRA Plan.....	110
Schedule of Proportionate Share of Net Pension Liability	
Safety Tier I Plan	111
Schedule of Pension Plan Contributions Safety Tier I Plan	112
Schedule of Proportionate Share of Net Pension Liability	
Safety Tier II Plan	113
Schedule of Pension Plan Contributions Safety Tier II Plan	114
Schedule of Proportionate Share of Net Pension Liability	
Safety PEPRA Plan	115
Schedule of Pension Plan Contributions Safety PEPRA Plan.....	116
<i>Other Postemployment Benefits Plan – Schedule of Funding Progress</i>	117

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2016
Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Supplementary Information	
<i>Non-Major Governmental Funds Financial Statements:</i>	
Combining Balance Sheet.....	121
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	123
Budgetary Comparison Schedules.....	125
 <i>Internal Service Funds:</i>	
Combining Statement of Net Position.....	135
Combining Statement of Revenues, Expenses and Changes in Net Position.....	136
Combining Statement of Cash Flows.....	137
 <i>Agency Funds:</i>	
Combining Statement of Changes in Assets and Liabilities.....	139
 <u>STATISTICAL SECTION (UNAUDITED)</u>	
Statistical Section Table of Contents.....	144
 Financial Trends	
<i>Net Position by Component.....</i>	<i>145</i>
<i>Changes in Net Position.....</i>	<i>147</i>
<i>Fund Balances of Governmental Funds.....</i>	<i>149</i>
<i>Changes in Fund Balances of Governmental Funds.....</i>	<i>151</i>
 Revenue Capacity	
<i>Property Tax Levies and Collections.....</i>	<i>153</i>
<i>Assessed Value and Estimated Actual Value of Taxable Property.....</i>	<i>154</i>
<i>Property Tax Assessed Value by Source.....</i>	<i>155</i>
<i>Property Tax Rates.....</i>	<i>157</i>
<i>Principal Property Tax Payers.....</i>	<i>159</i>

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2016
Table of Contents

	<u>Page</u>
<u>STATISTICAL SECTION (UNAUDITED), Continued</u>	
Debt Capacity	
<i>Ratios of Debt Outstanding</i>	161
<i>Direct and Overlapping Debt</i>	162
<i>Legal Debt Margin</i>	163
<i>Bond Debt Pledged Revenue Coverage</i>	165
 Demographic and Economic Information	
<i>Demographic and Economic Statistics</i>	166
 Operating Information	
<i>Full-time Equivalent City Employees by Function</i>	167
<i>Operating Indicators by Function</i>	169
<i>Capital Asset Statistics by Function</i>	171
<i>Miscellaneous Statistical Data</i>	173
 <u>ADDITIONAL REPORTS</u>	
Independent Auditors' Report on Internal Controls over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	175



COMMUNITY
DEVELOPMENT (925) 673-7340
ENGINEERING (925) 363-7433

6000 HERITAGE TRAIL CLAYTON, CALIFORNIA 94517-1250
TELEPHONE (925) 673-7300 FAX (925) 672-4717

CITY COUNCIL
HOWARD GELLER, MAYOR
JIM DIAZ, VICE MAYOR
KEITH HAYDON, COUNCILMEMBER
JULIE K. PIERCE, COUNCILMEMBER
DAVID T. SHUEY, COUNCILMEMBER

October 25, 2016

Honorable Mayor and Members of the City Council
City of Clayton

We are pleased to submit the City of Clayton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. Since incorporation, the City has submitted an annual audited financial report to the City Council and its citizens in accordance with *California Government Code* section 25253. The CAFR provides the public, businesses, property owners, investors and all interested parties with an overview of the City's finances. The information in this CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes an "unmodified opinion" (the highest rating) on the report by the independent certified public accounting firm Cropper Accountancy Corp.

Although we rely on the standards and expertise of these independent auditors, the responsibility for the accuracy and fairness of the CAFR ultimately rests with City management. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile reliable and timely information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatements.

For readers interested in a more detailed review of the City's financial statements, a section in the CAFR called the Management Discussion and Analysis (MD&A) has been included in accordance with Government Accounting Standards Board (GASB) Statement 34. The MD&A reports on the financial highlights of the City and provides additional analysis on the variances and trends reported as part of the financial statements. The MD&A further discloses significant items impacting the financial condition of the City and is designed to be read in conjunction with this Letter of Transmittal.

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2016
Letter of Transmittal

City Profile

The City of Clayton was incorporated in 1964 and is located in Contra Costa County, a region in the eastern portion of the San Francisco-Bay Area. The City has a permanent staff of twenty-five (25) full-time employees which serves approximately 11,288 residents in a land area of approximately 4.3 square miles. Nestled in a small valley at the northern base of Mt. Diablo, the boundaries of the City are mostly developed with a strong community emphasis on open space preservation and maintenance of an extensive network of trails. The City continues to show strength as a safe community with attractive residential neighborhoods as a gateway to the fast paced and robust Bay Area economy.

The City operates under a Council-Manager form of government and provides municipal services that include: public safety, public works, parks, and planning/land use and economic development. The City is governed by a five-member City Council elected at large, serving staggered four year terms. The Mayor and Vice Mayor are selected by the City Council each year from its membership and serve one year terms. The City Council is responsible for adopting City ordinances, resolutions, the annual budget, appointing commissions and committees, and hiring the City Manager and City Attorney among other key duties. The City Manager is responsible for implementing the City Council's policies, ordinances and directives, for overseeing the daily operations of the City, and for appointing all department heads and through them all other employees of the City.

The City's fiscal year runs from July 1st through June 30th. Each year, the City Manager presents an annual budget to the City Council for adoption by resolution on or before June 30 in accordance with *Clayton Municipal Code* section 3.02.040. On an interim basis the budget is monitored continually with the budgetary level of control maintained at the fund level.

Economic Condition and Outlook

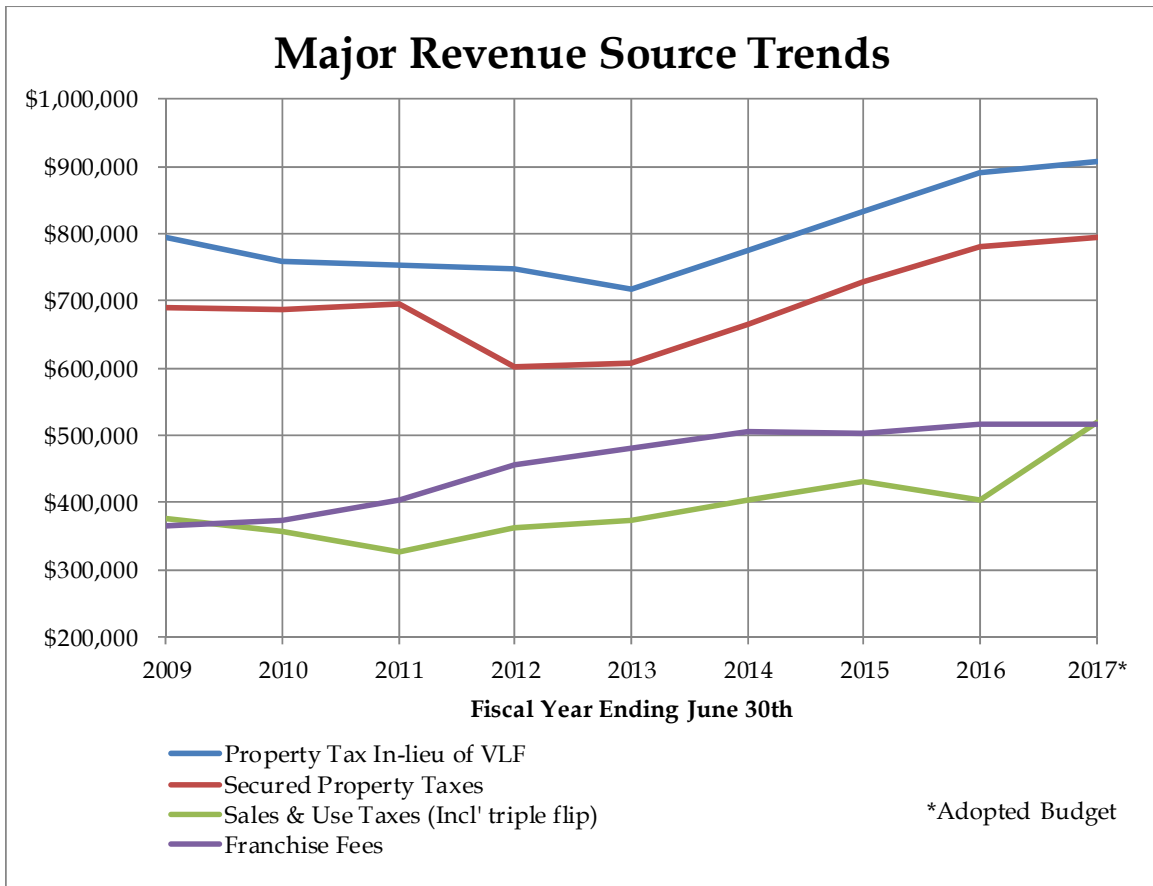
Essentially a cul-de-sac hugging the base of Mt. Diablo, Clayton maintains a small town atmosphere while its relative proximity to highway 24 and neighboring city BART stations make it ideal for commuters. In addition, the semi-rural setting, low crime rate and excellent middle and elementary schools make Clayton attractive to families.

Its residents are generally highly educated with approximately 51% having a bachelor's degree or higher. In June of 2016 the unemployment rate of the City was 4.3% compared to 5.4% for the state. The median household income in the City is \$123,686 compared to \$61,993 for the state. The average sales price of homes in Clayton as of May 2016 was \$813,625. These factors fare well for the City's major sources of revenue, as property and sales & use taxes maintain all-time high levels.

**City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2016
Letter of Transmittal**

Economic Condition and Outlook, Continued

In order, the City General Fund’s top revenue sources are: in-lieu vehicle license fees (VLF – paid from the state’s portion of property taxes); secured property taxes; sales & use taxes; and franchise fees. The following chart illustrates the nine year trend of these four major revenue sources for the City:



The City’s primary revenue sources have gradually rebounded since the “Great Recession” in 2008 and are have now exceeded pre-recession levels. Altogether, these four primary revenue sources comprise just over 64% of the General Fund’s revenue budget for the fiscal year ending June 30, 2017. In the long-run, given the suburban composition of the City and its geographic boundaries limiting future development, management anticipates slow growth for the next ten years in sales & use taxes and franchise taxes and moderate growth in property tax revenue (including in-lieu VLF property taxes received from the state).

City of Clayton
Comprehensive Annual Financial Report
For the year ended June 30, 2016
Letter of Transmittal

Awards and Acknowledgements

The City of Clayton intends to submit the fiscal year ended June 30, 2016 CAFR for the Certificate of Achievement for Excellence in Finance Reporting from the Government Finance Officers Association (GFOA). This is the first year City management has prepared a CAFR in-house and submitted for the award, which is a milestone in the City's financial reporting history.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the content of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. Management is confident this report will meet the program requirements to obtain the award of excellence.

The preparation of this CAFR could not have been accomplished without the professional, efficient and dedicated services of the Admin/Finance Department staff, in particular, Jennifer Giantvalley, and our independent accounting firm of Cropper Accountancy Corp. We also thank the honorable members of the City Council and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



Gary A. Napper, MPA
City Manager



T. Kevin Mizuno, CPA
Finance Manager

OUR MISSION

To be of exemplary service to the Clayton community with an emphasis on:

- Health and safety
- Responsive customer service
- Highly trained team of employees
- A cooperative work environment

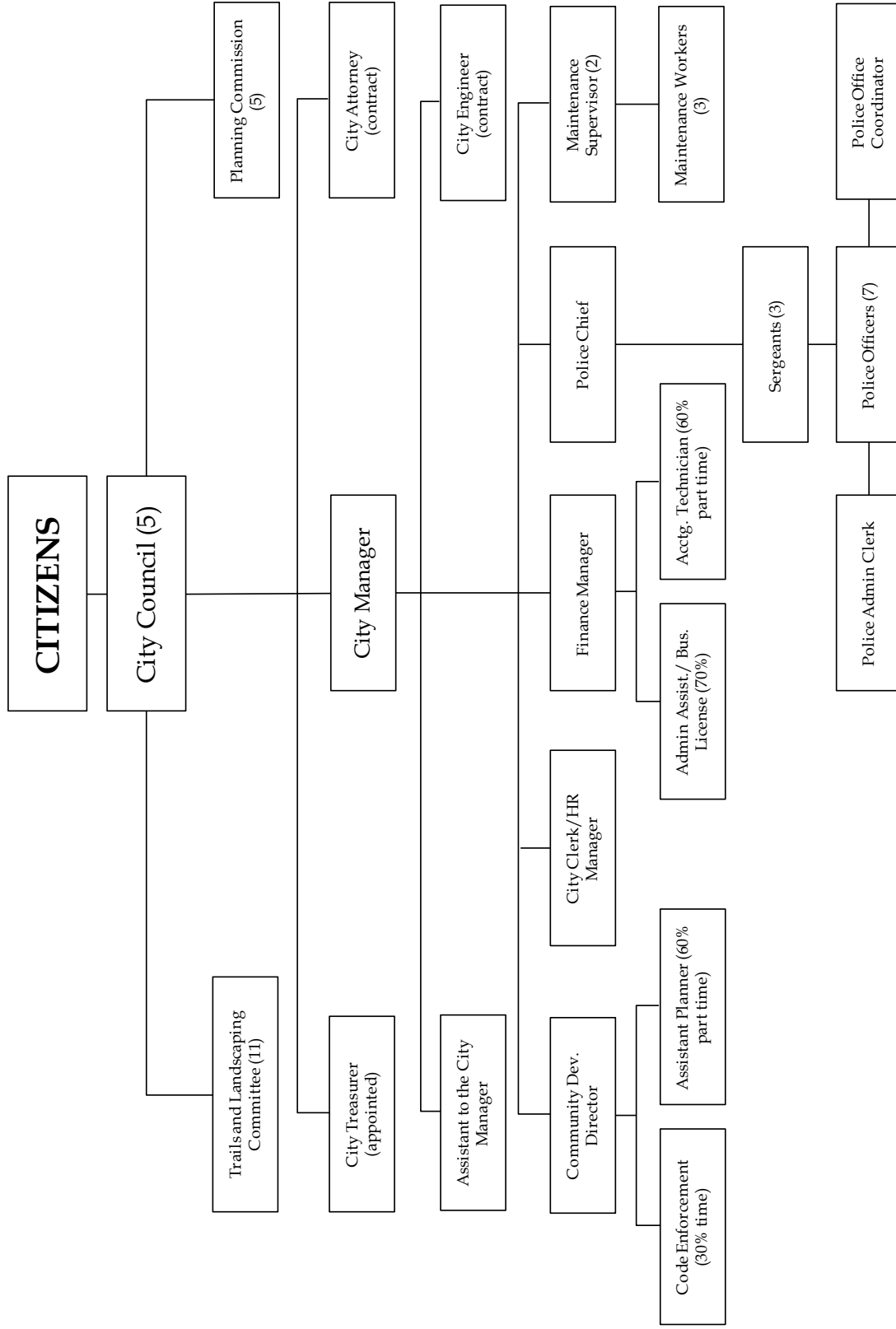
OUR VALUES

- Courtesy
- Creativity
- Diversity
- Employee participation
- Ethical behavior
- Fiscal responsibility
- Inclusiveness
- Informed risk taking
- Open communication
- Professionalism
- Trustworthiness

OUR VISION

The City of Clayton organization will be recognized as a premier small city. Customer service will be our hallmark; organizational processes will be a model of efficiency and effectiveness; innovation will be common place; and excellence of work product will be the norm. The employees will enjoy their work environment, and each will be a valued and respected member in his or her field of work. All residents and the City Council will be proud of their City government.

City of Clayton Organizational Chart



DIRECTORY OF PRINCIPAL OFFICIALS AND ADVISORY BODIES AS OF JUNE 30, 2016

CITY COUNCIL

Howard Geller, Mayor
Jim Diaz, Vice Mayor
Julie Pierce, Councilmember
David T. Shuey, Councilmember
Keith Haydon, Councilmember

COMMISSIONS

Planning Commission

COMMITTEES

Trails and Landscaping Committee

APPOINTED OFFICIALS AND DEPARTMENT HEADS

Gary A. Napper	City Manager
Malathy Subramanian	City Attorney (contract)
Laura Hoffmeister	Assistant to the City Manager
Chris Wenzel	Chief of Police
Janet Brown	City Clerk / HR Manager
Kevin Mizuno	Finance Manager
Mindy Gentry	Community Development Director
Rick Angrisani	City Engineer (contract)
Merle Hufford	City Treasurer
Mark Janney	Maintenance Supervisor
John Johnston	Maintenance Supervisor

Regional Map of Clayton, California And Nearby Cities



This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

**INDEPENDENT AUDITORS'
REPORT**

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 City of Clayton, as of and for the year ended June 30, 2016, 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 City of Clayton, as of June 30, 2016, 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 on pages 4 -16, budgetary comparison information on pages 100 – 104, pension plan funding status on pages 105 – 116, and other postemployment benefits plan on page 117 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 City of Clayton's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


The accompanying other 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 25, 2016, on our consideration of 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 City of Clayton's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*, which requires investments to be recorded at fair value. The valuation of municipal bonds held by the fiduciary funds uses Level 3 inputs which approximate cost at June 30, 2016. Our opinion is not modified with respect to this matter.


CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 25, 2016

This page intentionally left blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

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, 2016. 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 year ended June 30, 2016 by \$44,907,319. Of this amount, \$6,972,365 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 increased by \$431,031 in the fiscal year ending June 30, 2016. Net position of governmental activities increased by \$471,446, while net position of business-type activities decreased by \$40,415.

Major Fund Highlights

Governmental Funds - As of the year ended June 30, 2016, the City's governmental funds reported a combined ending fund balance of \$14,751,603. Of this amount \$5,028,592 represents "unassigned fund balances" available for appropriation.

General Fund - The unassigned fund balance of the General Fund on June 30, 2016 was \$5,031,142, while the non-spendable and assigned fund balances were \$308,064 and \$278,853 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-wide Financial Statements, Continued

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.

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, community and economic development, and parks and recreation. The business-type activities of the City of Clayton include the activities of the Endeavor Hall enterprise fund.

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.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

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 fourteen individual governmental funds. Information is presented separately in the government funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Landscape Maintenance District, Housing Successor Agency, and Capital Improvement Program, 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 an enterprise fund to account for its 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 two internal service funds to account for its capital equipment replacement program and its self-insurance activities. 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. The City's sole enterprise fund is considered to be a major fund. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds

The City is the agent for certain assessment districts and other parties holding amounts collected which await payment as directed. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Agency Funds Statement of Assets and Liabilities. These activities are excluded from the City's other financial statements because the

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

City is acting as a trustee for these funds and cannot use these assets to finance its own operations. The City's fiduciary funds include a private-purpose trust fund to account for the Activities of the City of Clayton Successor Agency.

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 43-97 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's progress in funding its obligation to provide pension and other post-employment benefits to its employees as well as budgetary information for the General Fund and each of the major governmental funds.

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS

Analysis of Overall Net Position and Results of Operations

As noted previously, net position may serve over time as a useful indicator of a government's financial position. The City's total net position was \$44,907,319 at June 30, 2016, which is an increase of \$431,031 (1.0%) over the prior year's net position as restated at June 30, 2015. Net position at June 30, 2015 was restated for the correction of an error to: report the Successor Housing Agency as a governmental fund of the primary government, restate notes receivables, and restate deferred revenue of the governmental activities. These prior period adjustments are summarized in greater detail in the Notes to the Basic Financial Statements under Note 16.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, etc.) net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and these assets are *not* available for future spending. Although the City'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.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Overall Net Position and Results of Operations, Continued

The following is condensed comparative Statements of Net Position for the fiscal years ended June 30, 2016 and 2015:

	Governmental Activities 2016	Governmental Activities 2015	Business- Type Activities 2016	Business- Type Activities 2015	Total 2016	Total 2015
Assets						
Current assets	\$ 11,570,777	\$ 11,107,974	\$ (49,613)	\$ (35,749)	\$ 11,521,164	\$ 11,072,225
Noncurrent assets	7,436,491	992,829	-	-	7,436,491	992,829
Capital assets	28,929,140	28,653,515	1,221,999	1,250,681	30,151,139	29,904,196
Total assets	<u>47,936,408</u>	<u>40,754,318</u>	<u>1,172,386</u>	<u>1,214,932</u>	<u>49,108,794</u>	<u>41,969,250</u>
Deferred outflows	<u>617,879</u>	<u>471,130</u>	<u>-</u>	<u>-</u>	<u>617,879</u>	<u>471,130</u>
Liabilities						
Current liabilities	377,491	566,720	6,692	8,823	384,183	575,543
Noncurrent liabilities	3,793,761	3,870,017	-	-	3,793,761	3,870,017
Total liabilities	<u>4,171,252</u>	<u>4,436,737</u>	<u>6,692</u>	<u>8,823</u>	<u>4,177,944</u>	<u>4,445,560</u>
Deferred inflows	<u>641,410</u>	<u>1,329,495</u>	<u>-</u>	<u>-</u>	<u>641,410</u>	<u>1,329,495</u>
Net position						
Net investment						
in capital assets	28,929,140	28,653,515	1,221,999	1,250,681	30,151,139	29,904,196
Restricted	7,783,815	2,024,193	-	-	7,783,815	2,024,193
Unrestricted	7,028,670	4,781,508	(56,305)	(44,572)	6,972,365	4,736,936
Total net position	<u>\$ 43,741,625</u>	<u>\$ 35,459,216</u>	<u>\$ 1,165,694</u>	<u>\$ 1,206,109</u>	<u>\$ 44,907,319</u>	<u>\$ 36,665,325</u>

Of the City's total net position, \$7,783,815 (17.3%) represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of \$6,972,365 may be used to meet the City's ongoing obligations to citizens and creditors.

City revenues for the year, including both governmental and business-type activities, were \$6,762,588, while expenses totaled \$6,100,771, resulting in a net increase to restated net position of \$661,817 (1.5%) excluding transfers, extraordinary and special items. This net increase was primarily attributable to fluctuations in the net pension liability arising from changes in assumptions and actual versus expected experiences. The net pension liability is discussed in greater detail in the Notes to the Basic Financial Statements under Note 11.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Overall Net Position and Results of Operations, Continued

The following is a recap of the City's Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2016 and 2015:

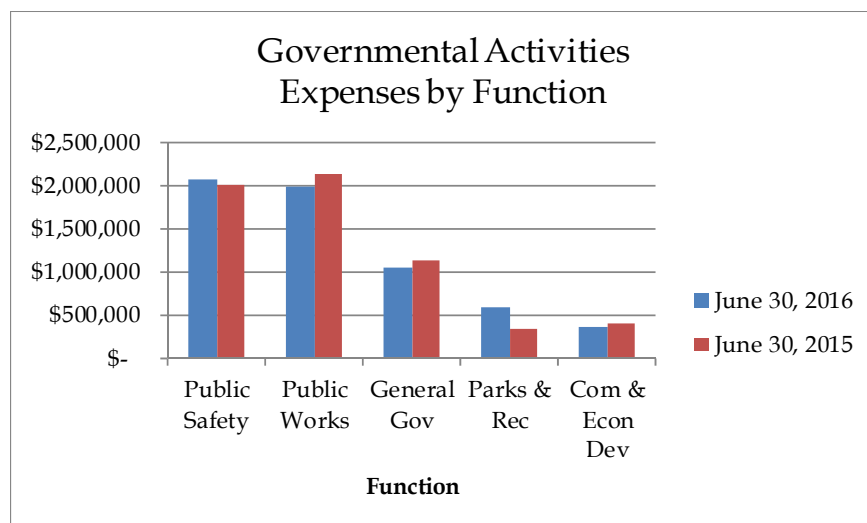
	Governmental Activities 2016	Governmental Activities 2015	Business Type Activities 2016	Business Type Activities 2015	Total 2016	Total 2015
Revenues:						
Program revenues:						
Charges for services	\$ 774,567	\$ 863,048	\$ 27,253	\$ 25,818	\$ 801,820	\$ 888,866
Operating grants and contributions	204,079	157,397	-	-	204,079	157,397
Capital grants and contributions	22,200	-	-	-	22,200	-
Total program revenues	<u>1,000,846</u>	<u>1,020,445</u>	<u>27,253</u>	<u>25,818</u>	<u>1,028,099</u>	<u>1,046,263</u>
General revenues:						
Property taxes	2,256,780	2,302,278	-	-	2,256,780	2,302,278
Special parcel taxes	1,311,458	1,407,850	-	-	1,311,458	1,407,850
Sales and use taxes	372,705	397,544	-	-	372,705	397,544
Other taxes	1,442,710	1,339,537	-	-	1,442,710	1,339,537
Investment income	295,904	82,909	-	175	295,904	83,084
Miscellaneous	54,140	91,230	-	4,316	54,140	95,546
Gain (loss) on sale of assets	792	624	-	-	792	624
Total general revenues	<u>5,734,489</u>	<u>5,621,972</u>	<u>-</u>	<u>4,491</u>	<u>5,734,489</u>	<u>5,626,463</u>
Total revenues	<u>6,735,335</u>	<u>6,642,417</u>	<u>27,253</u>	<u>30,309</u>	<u>6,762,588</u>	<u>6,672,726</u>
Expenses:						
General government	1,051,461	1,119,567	-	-	1,051,461	1,119,567
Public works	1,975,653	2,139,918	-	-	1,975,653	2,139,918
Parks and recreation services	583,120	339,894	-	-	583,120	339,894
Community and economic development	362,248	405,941	-	-	362,248	405,941
Public safety	2,060,621	2,006,052	-	-	2,060,621	2,006,052
Endeavor hall	-	-	67,668	66,606	67,668	66,606
Total expenses	<u>6,033,103</u>	<u>6,011,372</u>	<u>67,668</u>	<u>66,606</u>	<u>6,100,771</u>	<u>6,077,978</u>
Increase (decrease) in Net Position before transfers, special and extraordinary items						
	702,232	631,045	(40,415)	(36,297)	661,817	594,748
Transfers in/(out)	-	88,793	-	(88,793)	-	-
Special items	-	-	-	93,489	-	93,489
Extraordinary items	<u>(230,786)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(230,786)</u>	<u>(200,000)</u>
Change in Net Position	471,446	519,838	(40,415)	(31,601)	431,031	488,237
Net Position - Beginning	35,459,216	34,939,378	1,206,109	1,237,710	36,665,325	36,177,088
Prior period adjustment - July 1, 2015	7,810,963	-	-	-	7,810,963	-
Net Position - beg. of year, as restated (Note 16)	<u>43,270,179</u>	<u>34,939,378</u>	<u>1,206,109</u>	<u>1,237,710</u>	<u>44,476,288</u>	<u>36,177,088</u>
Net Position - Ending	<u>\$ 43,741,625</u>	<u>\$ 35,459,216</u>	<u>\$ 1,165,694</u>	<u>\$ 1,206,109</u>	<u>\$ 44,907,319</u>	<u>\$ 36,665,325</u>

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Governmental Activities

The substantial increase in restricted net position of the governmental activities over the prior year arose from the prior period adjustment to report the Successor Housing Agency as a special fund as of July 1, 2015 (Note 16). This restatement also explains the increase in noncurrent assets of the governmental activities by \$6,443,662 (649%) over the prior year to report notes receivable and investments in affordable (low and moderate income) housing of the Successor Housing Agency as of the year ended June 30, 2016. Total governmental expenses were \$6,033,103 in the current year compared to \$6,011,372 in the prior year. The following chart depicts the relative size of governmental activities expenses by function for the fiscal years ending June 30, 2016 and 2015:



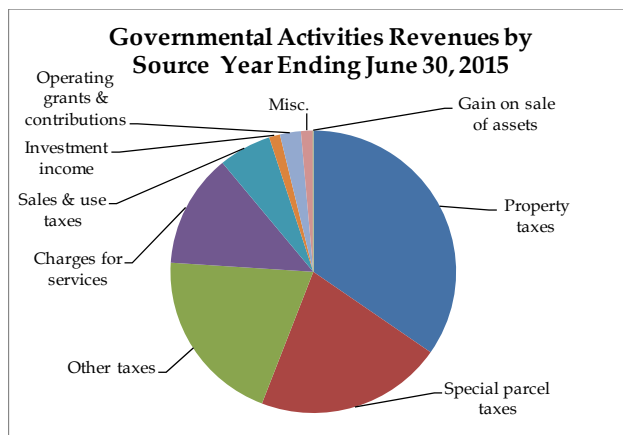
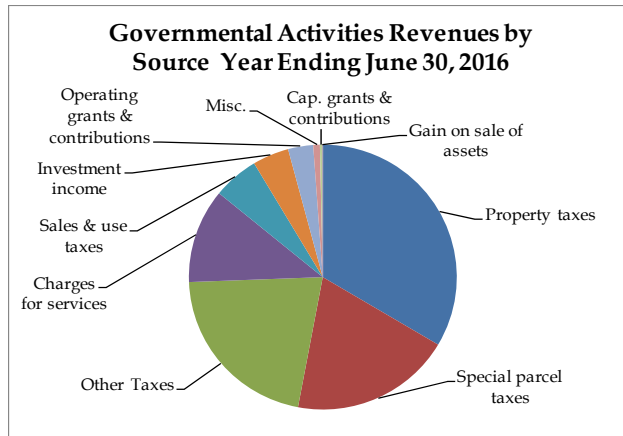
Total program revenues from governmental activities were \$875,149 in the current year compared to \$1,020,445 in the prior year. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. Of the governmental program revenues, 74.1% were derived from Charges for Services, which includes park use fees, rental fees, licenses and permits, planning services fees, engineering plan check fees, police service fees, and other revenues. The remaining 25.9% of the governmental program revenues came from operating and capital grants and contributions. General revenues are all other revenues not categorized as program revenues such as property taxes, special parcel taxes and assessments, sales and use taxes, motor vehicle fees, investment earnings, fines, franchise fees, use of money and property, service charges, and other revenues.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Governmental Activities, Continued

Total general revenues from governmental activities were \$5,734,489 in the current year compared to \$5,621,972 in the prior year. Property tax revenues reduced only slightly by \$45,498 (2.0%). This modest reduction pertained to the State of California's unwinding of the "Triple Flip" process, whereby one-quarter of the 1.0% Bradley-Burns local sales and use tax allocation reverted back to the local jurisdictions in-lieu of the State's property taxes being allocated to local jurisdictions. The elimination of the Triple Flip was effective January 1, 2016. The net increase in general revenue was a result of a large spike in investment income due to the large increase in the primary government's share of the City's investment pool following the Successor Agency's payment of unencumbered balances to the County Auditor-Controller with the conclusion of the AB 1484 post-dissolution process during the fiscal year ending June 30, 2016. The following pie charts depict the relative size of governmental activities program and general revenues by source for the fiscal years ending June 30, 2016 and 2015:



**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016**

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued

Analysis of Business-Type Activities

Total business-type expenses were \$67,668 in the current year compared to \$66,606 in the prior year. Total charges for services were \$27,253 in the current year compared to \$25,818 in the prior year, which is a 5.6% increase. Although revenues came in higher than in the prior year, net position of business-type activities still declined by \$40,415 to a total of \$1,165,694 at June 30, 2016 primarily due to charges for services not being sufficient to cover annual depreciation expense of the underlying rental facilities.

FINANCIAL ANALYSIS OF INDIVIDUAL FUND STATEMENTS

Analysis of 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's governmental funds reported combined ending fund balances of \$14,751,603. Of this amount, in order of relative significance, \$5,028,592 (34.1%) is unassigned; \$3,942,015 (26.7%) is in non-spendable form; \$2,963,386 (20.1%) is assigned for specific purposes; \$2,150,476 (14.6%) is restricted by law, regulation, or other outside contractual agreements; and \$667,134 (4.5%) is committed for specific expenditures in the future.

General Fund

The City's General Fund reported an increase in fund balance of \$204,902 in the current fiscal year. This increase in fund balance is largely attributable to expenditures coming in under budget, significant revenue sources such as property and intergovernmental revenues coming in over budget, and non-recurring revenue spikes arising from the conclusion of the All Other Funds Fund AB 1484 Due Diligence Review. Total fund balance of the General Fund is \$5,618,059 as of June 30, 2016, of which \$5,031,142 (89.5%) is reported as unassigned and available for appropriation. This unassigned fund balance is 118% the size of the General Fund's adopted operating budget for the fiscal year ending June 30, 2017.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

FINANCIAL ANALYSIS OF INDIVIDUAL FUND STATEMENTS, Continued

Analysis of Governmental Funds, Continued

Landscape Maintenance District

Community Facilities District No. 2007-1, referred to as the Landscape Maintenance District special revenue fund, reported an increase in fund balance of \$170,564 in the current fiscal year. This increase in fund balance is largely attributable capital projects originally planned for the current fiscal year, including the budgeted entryways re-landscaping project, being deferred to the next fiscal year. Total fund balance of the Landscape Maintenance District is \$1,070,497 as of June 30, 2016, of which \$168,702 (15.7%) is reported as assigned for the following year's operating budget.

Successor Housing Agency

The Successor Housing Agency special revenue fund reported an increase in fund balance of \$169,781 in the current fiscal year. This increase in fund balance resulted primarily from unspent program revenue on housing loan repayments and unrealized gains on the inventory of affordable income housing. Total fund balance of the Successor Housing Agency is \$4,295,173 as of June 30, 2016, of which \$3,633,951 (84.6%) is in non-spendable form derived from outstanding housing loan receivable balances and investments in affordable housing units.

Capital Improvement Program

The Capital Improvement Program capital projects fund reported a reduction in fund balance of \$410,411 in the current fiscal year. This decrease in fund balance is attributable to an increase in capital outlays for projects included in the City's adopted 5-year rolling Capital Improvement Program budget. Total fund balance of the Capital Improvement Program fund is \$1,597,677 and is reported as assigned for capital projects as of June 30, 2016.

Analysis of 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.

The net position of the major enterprise fund at the end of the year was \$1,165,694, and total net position for the internal service funds amounted to \$565,535.

City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues and transfers exceeded total budgeted revenues by \$366,387 (8.9%). This significant favorable variance was largely attributable to a spike in non-recurring revenues including: (1) payment from the County of the City's 6.9% share of the AB 1484 All Other Funds Due Diligence Review residual balance, (2) payments from the State of California for old claims on reimbursable state-mandated activities under California Senate Bill 90 (SB 90), and (3) a favorable variance in property taxes arising from actual economic growth exceeding conservative budgetary estimates. The final fiscal year 2015-16 General Fund budget for expenditures totaled \$4,484,536. Actual General Fund operating expenditures of \$4,055,143 were under the final legally adopted budget by \$429,393 (9.6%). On February 3, 2016 the City Council approved the appropriation of \$389,895 in General Fund reserves arising from the surplus reported the fiscal year ending June 30, 2015. The purpose of this assignment was to address specific one-time capital and operational needs of the City that could not be addressed in the ordinary annual operating budget. At June 30, 2016, the balance of this General fund assignment was \$278,853, which was rolled into the fiscal year 2016-17 budget for the approved and specified purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounted to \$30,151,139 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corporate yard building, and roads. Total depreciation expenses on governmental assets totaled \$948,496, versus \$916,485 in the prior year. The slight increase in depreciation was largely attributable to significant capital assets deemed complete during the current year (\$1,055,768) that were depreciated for the first time in the current year pursuant to the mid-year convention depreciation method. 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 redevelopment agency of \$5,835,000 was transferred to the Successor Agency on February 1, 2012 (fiscal year ending June 30, 2012). 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 13 of the notes to the financial statements.

**City of Clayton
Management's Discussion and Analysis
For the year ended June 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As the City of Clayton is largely a bedroom community, the annual General Fund operating budget relies more heavily on property taxes to finance annual operating appropriations rather than other sources of revenue larger municipalities have access to (i.e. sales and business license taxes). The City strives to meet the ever evolving needs of local residents and businesses within the constraints of limited and sometimes restrictive revenue sources.

There was a noteworthy increase in the General Fund's final budgeted operational expenditures for fiscal year 2016-17 of \$165,792 (4.0%). The rise in appropriations was partially attributable to the City's pension administrator (CalPERS) implementing a mandatory hike in pension contributions arising from the Public Employee Pension Reform Act (PEPRA) of 2012 to address historical increases in the actuarially determined unfunded pension liability. Other increases were necessary to address rising insurance premium rates and increases in the long-standing engineering and legal professional services contracts that had been frozen for several years.

In the adopted fiscal year 2016-17 budget, total revenues of the General Fund are projected to be \$4,300,620, which is an increase of approximately \$176,176 (4.3%) over the fiscal year 2015-16 adopted budget. The projected revenue increase is supported by actual operational revenue results for the year ending June 30, 2016.

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.

This page intentionally left blank

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

**City of Clayton
Government-Wide
Statement of Net Position
June 30, 2016**

ASSETS	Governmental Activities	Business-Type Activites	Total
Current Assets:			
Cash and investments	\$ 10,515,485	\$ -	\$ 10,515,485
Accounts receivable (net of allowances)	917,828	-	917,828
Interest receivable	38,782	-	38,782
Internal balances	49,613	(49,613)	-
Prepaid expenses	49,069	-	49,069
Total Current Assets	<u>11,570,777</u>	<u>(49,613)</u>	<u>11,521,164</u>
Noncurrent Assets:			
Investment in affordable housing	2,317,739	-	2,317,739
Notes receivable	5,118,752	-	5,118,752
Nondepreciable assets	2,160,048	167,738	2,327,786
Depreciable assets, net	26,769,092	1,054,261	27,823,353
Total Noncurrent Assets	<u>36,365,631</u>	<u>1,221,999</u>	<u>37,587,630</u>
Total Assets	<u>47,936,408</u>	<u>1,172,386</u>	<u>49,108,794</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	617,879	-	617,879
Total Deferred Outflows of Resources	<u>617,879</u>	<u>-</u>	<u>617,879</u>
LIABILITIES			
Current Liabilites:			
Accounts payable	241,151	992	242,143
Deposits payable	-	3,500	3,500
Accrued payroll	55,211	-	55,211
Compensated absences payable (current portion)	70,446	-	70,446
Other liabilities	10,683	2,200	12,883
Total Current Liabilities	<u>377,491</u>	<u>6,692</u>	<u>384,183</u>
Noncurrent Liabilities:			
Compensated absences payable (long-term portion)	70,446	-	70,446
OPEB liability	129,544	-	129,544
Net pension liability	3,593,771	-	3,593,771
Total Noncurrent Liabilities	<u>3,793,761</u>	<u>-</u>	<u>3,793,761</u>
Total Liabilities	<u>4,171,252</u>	<u>6,692</u>	<u>4,177,944</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	41,226	-	41,226
Deferred pension	600,184	-	600,184
Total Deferred Inflows of Resources	<u>641,410</u>	<u>-</u>	<u>641,410</u>
NET POSITION			
Net investment in capital assets	28,929,140	1,221,999	30,151,139
Restricted for special projects and programs	7,783,815	-	7,783,815
Unrestricted	7,028,670	(56,305)	6,972,365
Total Net Position	<u>\$ 43,741,625</u>	<u>\$ 1,165,694</u>	<u>\$ 44,907,319</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Government-Wide
Statement of Activities and Changes in Net Position
For the year ended June 30, 2016**

For the fiscal year ended June 30, 2016	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General government	\$ 1,051,461	\$ 355,391	\$ 43,196	\$ -	\$ (652,874)	\$ -	\$ (652,874)
Public works	1,975,653	195,737	-	20,160	(1,759,756)	-	(1,759,756)
Parks and recreation services	583,120	73,501	-	-	(509,619)	-	(509,619)
Community and economic development	362,248	100,612	-	2,040	(259,596)	-	(259,596)
Public safety	2,060,621	49,326	160,883	-	(1,850,412)	-	(1,850,412)
Total Governmental Activities	6,033,103	774,567	204,079	22,200	(5,032,257)	-	(5,032,257)
Business-Type Activities							
Endeavor Hall	67,668	27,253	-	-	-	(40,415)	(40,415)
Total Business-Type Activities	67,668	27,253	-	-	-	(40,415)	(40,415)
Total Primary Government	\$ 6,100,771	\$ 801,820	\$ 204,079	\$ 22,200	(5,032,257)	(40,415)	(5,072,672)
General revenues:							
Taxes:							
Property taxes					2,256,780	-	2,256,780
Special parcel taxes					1,311,458	-	1,311,458
Sales and use taxes					372,705	-	372,705
Other taxes					1,442,710	-	1,442,710
Total Taxes					5,383,653	-	5,383,653
Investment income (loss)					295,904	-	295,904
Gain on fixed asset disposal					792	-	792
Miscellaneous					54,140	-	54,140
Total general revenues and transfers					5,734,489	-	5,734,489
Change in net position from continuing activities							
Extraordinary loss (Note 17)					702,232	(40,415)	661,817
					(230,786)	-	(230,786)
Change in net position					471,446	(40,415)	431,031
Net position - beginning of year, as restated (Note 16)							
					43,270,179	1,206,109	44,476,288
Net position - end of year							
					\$ 43,741,625	\$ 1,165,694	\$ 44,907,319

The accompanying notes are an integral part of the financial statements

This page intentionally left blank

FUND FINANCIAL STATEMENTS

This page intentionally left blank

GOVERNMENTAL FUNDS

Governmental Funds are used to account for activities primarily supported by taxes, grants, and similar revenue sources. All governmental funds can be classified into one of five fund types: the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

General Fund:

The General Fund is the main operating fund of the City and is presented as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds:

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The following are reported as major special revenue funds:

Landscape Maintenance District - Community Facilities District (CFD) No. 2007-1, referred to as the Landscape Maintenance District special revenue fund, accounts for real property voter-approved special parcel taxes collected to maintain arterial landscaping and open space within the City (CFD No. 2007-1 sunsets in 2027).

Successor Housing Agency - Accounts for the activities related to the assets assumed by the City of Clayton as the Housing Successor to the housing activities of the former Redevelopment Agency of the City of Clayton.

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 is the City's sole major capital projects fund:

Capital Improvements Program 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.

Non-major Governmental Funds:

All non-major governmental funds of the City are aggregated and presented on the face of the basic financial statements in one column.

**City of Clayton
Governmental Funds
Balance Sheet
June 30, 2016**

	General Fund	Special Revenue	
		Landscape Maintenance District	Successor Housing Agency
ASSETS			
Cash and investments	\$ 4,935,640	\$ 1,070,497	\$ 663,625
Accounts receivable	612,760	-	-
Interest receivable	38,782	-	-
Investment in affordable housing	-	-	2,317,739
Notes receivable	486,940	-	4,631,812
Prepaid expenses	48,922	-	-
Due from other funds	52,163	-	-
Advance to other funds	2,580	-	-
Total Assets	\$ 6,177,787	\$ 1,070,497	\$ 7,613,176
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 111,138	\$ 76,799	\$ 2,403
Other payables	1,746	6,932	-
Accrued payroll	55,211	-	-
Accrued vacation	70,446	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Unearned revenue	41,226	-	-
Total Liabilities	279,767	83,731	2,403
Deferred Inflows of Resources:			
Deferred revenue	279,961	-	3,315,600
Total Deferred Inflows of Resources	279,961	-	3,315,600
Fund Balance:			
Non-spendable	308,064	-	3,633,951
Restricted	-	818,064	661,222
Committed	-	-	-
Assigned	278,853	168,702	-
Unassigned	5,031,142	-	-
Total Fund Balance	5,618,059	986,766	4,295,173
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,177,787	\$ 1,070,497	\$ 7,613,176

The accompanying notes are an integral part of the financial statements

<u>Capital Project</u>		
<u>Capital Improvement Program</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,609,388	\$ 2,004,948	\$ 10,284,098
-	305,068	917,828
-	-	38,782
-	-	2,317,739
-	-	5,118,752
-	147	49,069
-	-	52,163
-	-	2,580
<u>\$ 1,609,388</u>	<u>\$ 2,310,163</u>	<u>\$ 18,781,011</u>
\$ 11,711	\$ 39,100	\$ 241,151
-	2,005	10,683
-	-	55,211
-	-	70,446
-	2,550	2,550
-	2,580	2,580
-	-	41,226
<u>11,711</u>	<u>46,235</u>	<u>423,847</u>
-	10,000	3,605,561
<u>-</u>	<u>10,000</u>	<u>3,605,561</u>
-	-	3,942,015
-	671,190	2,150,476
-	667,134	667,134
1,597,677	918,154	2,963,386
-	(2,550)	5,028,592
<u>1,597,677</u>	<u>2,253,928</u>	<u>14,751,603</u>
\$ 1,609,388	\$ 2,310,163	\$ 18,781,011

The accompanying notes are an integral part of the financial statements

This page intentionally left blank

City of Clayton
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds \$ 14,751,603

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

CAPITAL ASSETS

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	2,160,048
Depreciable capital assets, net (net of internal service fund assets of \$334,148)	26,434,944

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Unavailable revenue which are deferred inflows of resources in the Governmental Funds because they are not available currently are taken into revenue in the statement of activities.	3,605,561
---	-----------

LONG-TERM ASSETS AND LIABILITIES

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	(129,544)
Compensated absences payable	(70,446)
Net pension liability not reported on the Governmental Funds Balance Sheet	(3,593,771)

DEFERRED INFLOWS AND OUTFLOWS

Deferred outflows of resources for pensions not reported on the Governmental Funds Balance Sheet	617,879
Deferred inflows of resources for pensions not reported on the Governmental Funds Balance Sheet	(600,184)

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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.

565,535

Net Position of Governmental Activities	\$ 43,741,625
--	---------------

The accompanying notes are an integral part of the financial statements

City of Clayton
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	General Fund	Special Revenue	
		Landscape Maintenance District	Successor Housing Agency
REVENUES			
Property taxes	\$ 2,256,780	\$ -	\$ -
Program income	-	-	81,400
Special parcel taxes and assessments	-	1,029,544	-
Sales taxes	372,705	-	-
Permits, licenses and fees	283,626	-	-
Fines, forfeitures and penalties	84,270	-	-
Intergovernmental	250,025	-	-
Motor vehicle in-lieu fees	4,554	-	-
Other in-lieu fees	154,852	-	-
Franchise fees	516,607	-	-
Service charges	342,308	-	-
Use of money and property	104,016	19,571	94,413
Other revenue	16,523	-	-
Total Revenues	4,386,266	1,049,115	175,813
EXPENDITURES			
Current:			
General government	1,068,970	-	-
Public works	152,280	645,132	-
Parks and recreation services	295,284	-	-
Community and economic development	354,083	-	6,032
Public safety	2,138,283	-	-
Capital Outlay	-	197,753	-
Total Expenditures	4,008,900	842,885	6,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	377,366	206,230	169,781
OTHER FINANCING SOURCES (USES)			
Transfers in	104,565	-	-
Transfers out	(46,243)	(35,666)	-
Total Other Financing Sources (Uses)	58,322	(35,666)	-
Net Change in Fund Balances Before Extraordinary Items	435,688	170,564	169,781
Extraordinary loss (Note 17)	(230,786)	-	-
Net Change in Fund Balances	204,902	170,564	169,781
FUND BALANCES			
Beginning of year, as restated (Note 16)	5,413,157	816,202	4,125,392
End of fiscal year	\$ 5,618,059	\$ 986,766	\$ 4,295,173

The accompanying notes are an integral part of the financial statements

<u>Capital Project</u> <u>Capital</u> <u>Improvement</u> <u>Program Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 2,256,780
-	-	81,400
-	407,612	1,437,156
-	-	372,705
-	44,578	328,204
-	-	84,270
-	714,514	964,539
-	-	4,554
-	-	154,852
-	-	516,607
-	-	342,308
34,897	38,069	290,966
20,160	11,834	48,517
<u>55,057</u>	<u>1,216,607</u>	<u>6,882,858</u>
-	-	1,068,970
-	440,271	1,237,683
-	80,270	375,554
-	19,047	379,162
-	143,338	2,281,621
1,018,555	59,255	1,275,563
<u>1,018,555</u>	<u>742,181</u>	<u>6,618,553</u>
<u>(963,498)</u>	<u>474,426</u>	<u>264,305</u>
789,574	132,399	1,026,538
(236,487)	(859,385)	(1,177,781)
<u>553,087</u>	<u>(726,986)</u>	<u>(151,243)</u>
(410,411)	(252,560)	113,062
-	-	(230,786)
<u>(410,411)</u>	<u>(252,560)</u>	<u>(117,724)</u>
2,008,088	2,506,488	14,869,327
<u>\$ 1,597,677</u>	<u>\$ 2,253,928</u>	<u>\$ 14,751,603</u>

This page intentionally left blank

City of Clayton
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities and Changes in Net Position
For the year ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (117,724)

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

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in the Governmental Funds (net change).

Long-term other post-employment benefits (OPEB)	(29,888)
Long-term compensated absences payable	6,521
Net change in accrued pension liability and deferred inflows (outflows).	491,660
Unavailable revenues	(205,485)

CAPITAL ASSET TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital asset acquisition, excluding internal service fund asset acquisitions.	1,077,330
Depreciation expense is deducted from the fund balance (Net of internal service fund depreciation of \$108,781).	(839,716)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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.

	88,748
Change in Net Position of Governmental Activities on Statement of Activities	\$ 471,446

The accompanying notes are an integral part of the financial statements

This page intentionally left blank

PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. The City's proprietary funds can be classified into two fund types: enterprise and internal service funds.

Enterprise Funds:

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The following is the City's sole major enterprise fund:

Endeavor Hall - Accounts for all rental activities related to operation of the underlying rental facility asset. The primary use of the rental facility has been for wedding receptions and other formal special events.

Internal Service Funds:

The City's internal service funds account for activities that provide goods or services to other City funds, departments, or agencies on a cost reimbursement basis. All internal service funds of the City are aggregated and presented on the face of the proprietary fund financial statements in one column.

**City of Clayton
Proprietary Funds
Statement of Net Position
June 30, 2016**

	<u>Business-type Activities - Endeavor Hall</u>	<u>Governmental Activities - Internal Service</u>
ASSETS		
Current Assets:		
Cash and investments	\$ -	\$ 231,387
Noncurrent Assets		
Land	167,738	-
Depreciable assets, net	<u>1,054,261</u>	<u>334,148</u>
Total Assets	<u>1,221,999</u>	<u>565,535</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	992	-
Other payables	2,200	-
Deposits payable	3,500	-
Due to other funds	<u>49,613</u>	<u>-</u>
Total Liabilities	<u>56,305</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	1,221,999	334,148
Unrestricted	<u>(56,305)</u>	<u>231,387</u>
Total Net Position	<u>\$ 1,165,694</u>	<u>\$ 565,535</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2016**

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$ 27,253	\$ 26,451
Total Operating Revenues	<u>27,253</u>	<u>26,451</u>
OPERATING EXPENSES		
Personnel	13,340	-
General and administrative	17,071	11,676
Depreciation and amortization	37,257	108,781
Total Operating Expenses	<u>67,668</u>	<u>120,457</u>
Operating Income (Loss)	<u>(40,415)</u>	<u>(94,006)</u>
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of assets	-	792
Investment income	-	4,939
Other income	-	4,827
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>10,558</u>
Net (loss) Before Contributions and Operating Transfers	(40,415)	(83,448)
Capital contributions	-	20,953
Transfers in	-	151,243
Change in Net Position	<u>(40,415)</u>	<u>88,748</u>
NET POSITION:		
Beginning of fiscal year	<u>1,206,109</u>	<u>476,787</u>
End of fiscal year	<u>\$ 1,165,694</u>	<u>\$ 565,535</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2016**

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 41,117	\$ 26,451
Cash payments to suppliers for goods and services	(19,202)	(11,676)
Cash payment to employees for services	(13,340)	-
Net cash provided (used) by operating activities	<u>8,575</u>	<u>14,775</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	-	151,243
Net cash provided by noncapital financing activities	<u>-</u>	<u>151,243</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of fixed assets	(8,575)	(146,792)
Capital contributions	-	20,953
Gain on sale of assets	-	792
Other income	-	4,827
Net cash provided (used) by capital and related financing activities	<u>(8,575)</u>	<u>(120,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment received on investments	-	4,939
Net Cash provided by investing activities	<u>-</u>	<u>4,939</u>
Net increase (decrease) in cash and cash equivalents	-	50,737
CASH AND CASH EQUIVALENTS:		
Fiscal year ended June 30, 2015	-	180,650
Fiscal year ended June 30, 2016	<u>\$ -</u>	<u>\$ 231,387</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (40,415)	\$ (94,006)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	37,257	108,781
Changes in current assets and liabilities:		
Accounts payable	65	-
Other payables	(196)	-
Deposits payable	(2,000)	-
Due to other funds	13,864	-
Net cash provided (used) by operating activities	<u>\$ 8,575</u>	<u>\$ 14,775</u>

The accompanying notes are an integral part of the financial statements

FIDUCIARY FUNDS

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The City's fiduciary funds can be classified into two fund types: agency and private purpose trust funds.

Agency 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

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
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016**

	Private Prupose Trust Fund	Redevelopment Successor Agency	Agency Funds
ASSETS			
Cash and investments	\$ 1,021,992		\$ 2,303,608
Cash and investments with fiscal agents	188,696		442,642
Accounts receivable	-		58,900
Assessments receivable	-		3,023,309
Notes receivable	127,044		-
Investment in bonds	-		2,716,000
Total Assets	1,337,732		8,544,459
LIABILITIES			
Accounts payable	-		20,078
Other liabilities	-		2,064,321
Deposits payable	-		871,751
Accrued interest payable	33,207		-
Advance from Successor Housing Agency	592,412		-
Notes payable	475,000		138,984
Bonds payable	3,465,000		5,449,325
Total Liabilities	4,565,619		\$ 8,544,459
DEFERRED INFLOWS OF RESOURCES			
Deferred notes receivables	127,044		
Total Deferred Inflows of Resources	127,044		
NET POSITION			
Held in trust for others	(3,354,931)		
Total Net Position	\$ (3,354,931)		

The accompanying notes are an integral part of the financial statements

City of Clayton
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2016

	Private Propose Trust Fund <hr/> Redevelopment Successor Agency <hr/>
ADDITIONS	
Tax increment revenue	\$ 934,203
Program revenue	12,340
Interest income	16,992
Total Additions	<hr/> 963,535 <hr/>
DEDUCTIONS	
Interest expense	116,639
Administrative costs	250,000
Other expenses	3,680
Total Deductions	<hr/> 370,319 <hr/>
Extraordinary loss (Note 17)	<hr/> (1,025,396) <hr/>
Changes in Net Position	(432,180)
NET POSITION	
Net Position Beginning of Year, as Restated (Note 16)	<hr/> (2,922,751) <hr/>
Net Position End of Year	<hr/> \$ (3,354,931) <hr/>

The accompanying notes are an integral part of the financial statements

This page intentionally left blank

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

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 11,300.

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 25 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. The City contracts with the City of Concord for police dispatch-IT services.
- 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 RDA ceased to be reported as a blended component unit and was replaced by the Successor Agency, which is reported as a private purpose trust fund in the fiduciary fund section of the financial statements.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Clayton Financing Authority (Authority) is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, by and between the City and the former RDA of the City of Clayton with the City Council serving as the Board of Directors. It was created by the City of Clayton City Council in 1990 with the primary purpose of issuing bonded obligations to finance capital projects within the community for which repayment is secured by pledges of revenue from legally separate and distinct districts. The activities of the Authority are reported in the fiduciary fund financial statement section as the Authority's debt is secured entirely by third parties that are not part of the primary government of the City and the City has no obligation for such debt. Separate financial statements of the Authority are available at the City's website at www.ci.clayton.ca.gov.

Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net 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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

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 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.

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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

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 (excluding property taxes) 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.

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

Housing Successor Agency - This special revenue fund accounts for the City's low and moderate housing program, which was assumed by the by City Council action upon dissolution of the former redevelopment agency.

Capital Improvement Program - This capital 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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

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 fund:

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

The City has the following internal service funds:

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

Self-Insurance Fund - This fund accounts for the administration of the City's self-insurance programs, payment of Employee Assistance Programs, and self-insured liability claim deductibles.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting and Measurement Focus, Continued

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 Fund 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 of the Successor Agency to the former Redevelopment Agency. Private Purpose Trust Funds are accounted for under the full accrual basis of accounting.

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.

Cash Equivalents

For purposes of reporting cash flows for the City's proprietary funds, pooled cash and investments held by the City are considered cash equivalents as the proprietary fund can access pooled cash and investments in a manner similar to a demand deposit.

Cash and Investments

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Interest income on investments is allocated to the funds on the basis of average month-end cash and investment balances. Investments are carried at fair value. Fair value is based on quoted market price if applicable. Otherwise the fair value hierarchy is as follows:

Level 1 - Values are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Investments, Continued

Level 2 - Inputs, other than quoted prices, included within Level 1 that are observable for the asset or liabilities at the measurement date.

Level 3 - Certain inputs are unobservable inputs (supported by little or no market activity, such as the City's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date).

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.

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."

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.

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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by amounts included Nonspendable Fund Balance which indicates that they do not constitute available spendable resources even though they are a component of net position.

Investment in Affordable Housing

This City Successor Housing Agency special revenue fund has purchased and re-sold several housing properties located in Stranahan Circle to low and moderate income households. The City carries the difference between the cost and sale on these properties as an investment in affordable housing until the property is either bought back by the City or sold on the open market. The City participates in the profits on any sales of these properties to an outside party in the same proportion as what the low and moderate income purchaser acquired the property from the City at the below market subsidized value. The City reports the investment in affordable housing at its proportionate equity share of the fair market value of the underlying properties at year-end.

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
Vehicles, machinery and equipment	5 - 10 years
Infrastructure	20 - 75 years

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

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets, Continued

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.

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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Compensated Absences

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.

Government-Wide Financial Statements

Compensated absences are recorded as incurred and related expenses and liabilities are reported by 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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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." Nonspendable governmental funds balances are categorized as unrestricted net position on the Government-Wide Financial Statements.

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 and assigns fund balances through the passing of resolutions and ordinances. These captions apply only to Fund Balance classifications:

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position / Fund Balances, Continued

- 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 non-spendable, 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.

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.

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

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates, Continued

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.

Inter-fund 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."

New Accounting Pronouncements

The following Governmental Accounting Standards Board Statements have been implemented in the current financial statements:

- GASB Statement No. 72 - "*Fair Value Measurement and Application*"

This Statement, issued in February of 2015, provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is described as an exit price. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements, Continued

disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015).

- GASB Statement No. 73 - *"Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes, and clarifies the application of certain provisions of Statements 67 and 68.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

- GASB Statement No. 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*

This Statement, issued in June of 2015, supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements

The following Governmental Accounting Standards Board Statements are effective in future years subsequent to the current financial reporting period:

- GASB Statement No. 74 - *“Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans”*

This Statement, issued in In June of 2015, replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position.

For single-employer and cost-sharing OPEB plans that are administered through trusts that meet the specified criteria, the following information also is required to be disclosed:

- Information about the components of the net OPEB liability and related ratios, including the OPEB plan’s fiduciary net position as a percentage of the total OPEB liability

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- Significant assumptions and other inputs used to measure the total OPEB liability and information about the sensitivity of the measure of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

All defined benefit OPEB plans are required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year.

For single-employer and cost-sharing OPEB plans, the following information for each of the 10 most recent fiscal years is required to be presented as required supplementary information:

- Sources of changes in the net OPEB liability
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

In addition, all OPEB plans, including agent OPEB plans, are required to explain certain factors that significantly affect trends in the amounts reported in the schedules of required supplementary information, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. However, if an OPEB plan has fewer than 100 plan members (active and inactive), use of a specified alternative measurement method in place of an actuarial valuation is permitted. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- GASB Statement No. 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*

This Statement, issued in June of 2015, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The consistency, comparability, and transparency of the information reported by employers and governmental non-employer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan’s fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2018 (effective for periods beginning after June 15, 2017). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- GASB Statement No. 77 - *"Tax Abatement Disclosures"*

This Statement, issued in August of 2015, requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after December 15, 2015). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

- GASB Statement No. 78 – *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*

The objective of this Statement, issued December of 2015, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined pension plans and to state or local government employers whose employees are provided with such pensions.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after December 15, 2015). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- GASB Statement No. 79 – *“Certain External Investment Pools and Pool Participants”*

This Statement, issued in December of 2015, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2015 (effective for periods beginning after June 15, 2015), except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for the fiscal year ending June 30, 2017 (effective for periods beginning after December 15, 2015). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- GASB Statement No. 80 – *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”*

The objective of this Statement, issued in January of 2016, is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement enhance the comparability of financial statements among

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- GASB Statement No. 81 – *“Irrevocable Split-Interest Agreements”*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2018 (effective for periods beginning after December 15, 2016). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- GASB Statement No. 82 – *“Pension Issues – an amendment of GASB Statements No. 67, and No. 73”*

The objective of this Statement, issued in March of 2016, is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Pronouncements, Continued

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after June 15, 2016). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

2. CASH AND INVESTMENTS

Classification

The City's total cash and investments, at fair value, are presented on the accompanying financial statements in the following allocation:

Government-Wide Statement of Net Position:	
Governmental Activities	
Cash and investments	\$ 10,515,485
Statements of Fiduciary Net Position	
Private Purpose Trust Fund	
Cash and investments	1,021,992
Cash with fiscal agents	188,696
Agency Funds	
Cash and investments	2,303,608
Cash with fiscal agents	442,642
Investment in bonds	2,716,000
Total	<u>\$ 17,188,423</u>
Cash and investments as of June 30, 2016, consist of the following:	
Cash on hand	\$ 1,000
Deposits with financial institutions	1,508,419
Investments	15,679,004
Total	<u>\$ 17,188,423</u>

Policy

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

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

Policy, Continued

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
Bank Deposits	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

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 of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

Interest Rate Risk, Continued

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	Greater than 60 Months
Pooled Investments:							
State Investment Pool	\$ 1,049,456	\$ 1,049,456	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	10,763,049	1,192,724	2,645,902	3,070,327	2,803,769	1,050,327	-
U.S. Government Agency Notes	900,499	-	-	-	-	900,499	-
Held by Bond Trustees:							
U.S. Government Agency Notes	250,000	250,000	-	-	-	-	-
Municipal Bonds	2,716,000	316,000	342,000	362,000	383,000	409,000	904,000
Total Investments	\$ 15,679,004	\$ 2,808,180	\$ 2,987,902	\$ 3,432,327	\$ 3,186,769	\$ 2,359,826	\$ 904,000

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	AAA	AA	A	Unrated	Total
Pooled Investments:					
State Investment Pool	\$ -	\$ -	\$ -	\$ 1,049,456	\$ 1,049,456
Certificates of Deposit	-	-	-	10,763,049	10,763,049
U.S. Government Agency Notes	900,499	-	-	-	900,499
Held by Bond Trustees:					
U.S. Government Agency Notes	250,000	-	-	-	250,000
Municipal Bonds	-	-	-	2,716,000	2,716,000
Total Investments	\$ 1,150,499	\$ -	\$ -	\$ 14,528,505	\$ 15,679,004

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Accordingly, the notes to the financial statements should disclose if the government has five percent or more of its total investments in a single issuer. More than five percent of the City's investments are with Community Facilities District No. 1990-1.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

Investment Fair Value

The City has the following recurring fair value measurements as of June 30, 2016:

- U.S. government agency note values are based on unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date [Level 1 inputs].
- Municipal bonds are valued based on unobservable inputs (supported by little or no market activity, such as the City's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date) [Level 3 inputs].

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.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

3. LOANS AND NOTES RECEIVABLE

The following is a summary of loans and notes receivable of the City for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance at June 30, 2016
General Fund:				
Oak Street Bridge Assessment District Loan	\$ 15,930	\$ -	\$ (3,990)	\$ 11,940
Successor Agency 2% Election Agreement	376,424	-	(376,424)	-
Successor Agency Firestation Note	475,000	-	-	475,000
Total General Fund	<u>867,354</u>	<u>-</u>	<u>(380,414)</u>	<u>486,940</u>
Successor Housing Agency:				
Diamond Terrace P.A.M. Note	3,397,000	-	(81,400)	3,315,600
Eden Affordable Housing Note	567,000	-	-	567,000
Stranahan Affordable Housing Notes	156,800	-	-	156,800
Successor Agency SERAF Loan	592,412	-	-	592,412
Total Successor Housing Agency	<u>4,713,212</u>	<u>-</u>	<u>(81,400)</u>	<u>4,631,812</u>
Total Notes Receivable	<u>\$ 5,580,566</u>	<u>\$ -</u>	<u>\$ (461,814)</u>	<u>\$ 5,118,752</u>

Oak Street Bridge Assessment District Loan

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, 2016, the outstanding balance due to the General Fund was \$11,940.

2% Election Repayment Agreement

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 \$501,899 in 2% election payments since 1987. The General Fund recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. Pursuant to the California Department of Finance's letter approving the Successor Agency's All Other Funds Due Diligence Review on November 30, 2015, the balance of this note was deemed fully payable on the next Recognized Obligation Payment Schedule (ROPS) for the six month period ending June 30,

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

3. LOANS AND NOTES RECEIVABLE, Continued

2016. On As of June 30, 2016, the balance due from the Successor Agency had been fully repaid.

1999 Fire Station Note

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 General Fund. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2016, the outstanding balance of the note was \$475,000.

Diamond Terrace Note

On September 21, 1999, the former RDA low-moderate housing fund 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. The balance of the loan due to the Successor Housing Agency was \$3,315,600 at June 30, 2016.

Eden Housing Loan

On October 13, 1992, the former RDA low-moderate housing fund 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, 2016, the outstanding balance of the loan due to the Successor Housing Agency was \$567,000.

Stranahan Affordable Housing Loans

The former RDA low-moderate housing fund 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, 2016, the outstanding balance of the loans due to the Successor Agency was \$156,800.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

3. LOANS AND NOTES RECEIVABLE, Continued

SERAF Loan

On May 10, 2011, the former RDA received a loan from the low-moderate 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 expected to be repaid by the Successor Agency through the Recognized Obligation Payment Schedule (ROPS) process in four equal installments of \$148,103 beginning the fiscal year ending June 20, 2018. The loan is non-interest bearing.

4. INTERFUND TRANSACTIONS

Due To, Due From

At June 30, 2016, the City had the following short-term interfund receivables and payables:

Due to	Due from		Total
	Non-major Governmental Funds	Endeavor Hall	
General Fund	\$ 2,550	\$ 49,613	\$ 52,163
Total	\$ 2,550	\$ 49,613	\$ 52,163

General Fund cash flow loans totaling \$52,163 were made to non-major governmental funds and Endeavor Hall. The balance of the Endeavor Hall receivable is expected to be repaid from future facility rental fees.

Interfund Transfers

The following is a summary of the City's interfund transfers for the year ended June 30, 2016:

Transfers out	Transfers in				Total
	General Fund	Capital Improvement Program	Non-major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 46,243	\$ 46,243
Landscape Maintenance District	33,863	891	912	-	35,666
Capital Improvement Program	-	-	131,487	105,000	236,487
Non-major Governmental Funds	70,702	788,683	-	-	859,385
Total	\$ 104,565	\$ 789,574	\$ 132,399	\$ 151,243	\$ 1,177,781

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

4. INTERFUND TRANSACTIONS, Continued

Interfund Transfers, Continued

The City transferred \$104,565 into the General Fund from the following funds: Clayton Landscape Maintenance District (\$33,863) and Non-major Governmental Funds (\$70,702) to reimburse the City for support activities. The Capital Improvement Program fund transferred \$131,487 to the Measure J fund to return remaining funding reserves from the cancelled East Marsh Creek Road Upgrade Project (CIP No. 10414). The City transferred \$788,683 from Non-major governmental funds into the Capital Improvement Fund primarily to cover capital project costs associated with completing the 2015 Neighborhood Street Program (CIP No. 10424). The City also transferred \$912 to Non-major governmental funds from the Landscape Maintenance District as a reimbursement for annual stormwater filing fees.

5. CAPITAL ASSETS

Government-Wide Financial Statements

At June 30, 2016, 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	73,083	-	73,083
Total non depreciable assets	<u>2,160,048</u>	<u>167,738</u>	<u>2,327,786</u>
<i>Depreciable Assets:</i>			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	6,338,893	159,579	6,498,472
Machinery and equipment	1,369,765	5,024	1,374,789
Infrastructure	30,214,326	-	30,214,326
Total depreciable assets	<u>43,818,560</u>	<u>1,565,347</u>	<u>45,383,907</u>
Total accumulated depreciation	<u>(17,049,468)</u>	<u>(511,086)</u>	<u>(17,560,554)</u>
Depreciable assets, net	<u>26,769,092</u>	<u>1,054,261</u>	<u>27,823,353</u>
Total governmental activities capital assets, net	<u>\$ 28,929,140</u>	<u>\$ 1,221,999</u>	<u>\$ 30,151,139</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. CAPITAL ASSETS, Continued

Government-Wide Financial Statements, Continued

The following is a summary of governmental activities capital assets transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2016
<i>Non depreciable Assets:</i>					
Land	\$ 2,086,965	\$ -	\$ -	\$ -	\$ 2,086,965
Construction in progress	51,521	1,077,330	-	(1,055,768)	73,083
Total non depreciable assets	<u>2,138,486</u>	<u>1,077,330</u>	<u>-</u>	<u>(1,055,768)</u>	<u>2,160,048</u>
<i>Depreciable Assets:</i>					
Buildings	5,895,576	-	-	-	5,895,576
Improvements	6,108,657	-	-	230,236	6,338,893
Machinery and equipment	1,255,949	146,791	(32,975)	-	1,369,765
Infrastructure	29,388,794	-	-	825,532	30,214,326
Total depreciable assets	<u>42,648,976</u>	<u>146,791</u>	<u>(32,975)</u>	<u>1,055,768</u>	<u>43,818,560</u>
<i>Accumulated depreciation:</i>					
Buildings	(2,368,134)	(117,725)	-	-	(2,485,859)
Improvements	(1,897,413)	(206,595)	-	-	(2,104,008)
Machinery and Equipment	(959,811)	(108,781)	32,975	-	(1,035,617)
Infrastructure	(10,908,589)	(515,395)	-	-	(11,423,984)
Total accumulated depreciation	<u>(16,133,947)</u>	<u>(948,496)</u>	<u>32,975</u>	<u>-</u>	<u>(17,049,468)</u>
Depreciable assets, net	<u>26,515,029</u>	<u>(801,705)</u>	<u>-</u>	<u>1,055,768</u>	<u>26,769,092</u>
Total governmental activities capital assets, net	<u>\$ 28,653,515</u>	<u>\$ 275,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,929,140</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 52,008
Parks and recreation	225,850
Public safety	75,389
Public works	<u>595,249</u>
Total depreciation expense	<u>\$ 948,496</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. CAPITAL ASSETS, Continued

Government-Wide Financial Statements, Continued

The following is a summary of business-type activities capital assets transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Transfers & Adjustments	Balance June 30, 2016
<i>Non depreciable Assets:</i>					
Land	\$ 167,738	\$ -	\$ -	\$ -	\$ 167,738
Total non depreciable assets	<u>167,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,738</u>
<i>Depreciable Assets:</i>					
Buildings	1,400,744	-	-	-	1,400,744
Improvements	151,004	8,575	-	-	159,579
Machinery and equipment	5,024	-	-	-	5,024
Total depreciable assets	<u>1,556,772</u>	<u>8,575</u>	<u>-</u>	<u>-</u>	<u>1,565,347</u>
<i>Accumulated depreciation:</i>					
Buildings	(366,528)	(28,334)	-	-	(394,862)
Improvements	(104,078)	(8,408)	-	-	(112,486)
Machinery and Equipment	(3,223)	(515)	-	-	(3,738)
Total accumulated depreciation	<u>(473,829)</u>	<u>(37,257)</u>	<u>-</u>	<u>-</u>	<u>(511,086)</u>
Depreciable assets, net	<u>1,082,943</u>	<u>(28,682)</u>	<u>-</u>	<u>-</u>	<u>1,054,261</u>
Total business-type activities capital assets, net	<u>\$ 1,250,681</u>	<u>\$ (28,682)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221,999</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Endeavor Hall	\$ 37,257
Total depreciation expense	<u>\$ 37,257</u>

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 year ended June 30, 2016

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 year ended June 30, 2016:

	Beginning Balance July 1, 2015	Additions	Deletions	Ending Balance June 30, 2016
Compensated Absences	\$ 153,934	\$ 141,378	\$ (154,420)	\$ 140,892

7. CONDUIT DEBT

The following debt issuances were issued by the City for the express purpose of providing capital financing for third parties that are not part of the primary government of the City. Although these conduit debt obligations may bear the name of the City, the City has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

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, 2016, the outstanding balance of the non-city bond obligation was \$2,716,000.

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. During the fiscal year ended June 30, 2016 these non-city bonded obligations were fully repaid.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. CONDUIT DEBT, Continued

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, 2016, the outstanding balance of the non-city bond obligation was \$168,325.

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

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to 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, 2016, the outstanding balance of the non-city bond obligation was \$2,565,000.

8. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

At June 30, 2016, the Grants Fund and Neighborhood Street Lights Fund had expenditures in excess of appropriations of \$14,580 and \$2,701 respectively. Excess expenditures were covered by residual balances within the funds.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

Deficit Fund Equity

At June 30, 2016, the funds below had the following deficit fund balance or net position:

Non-major governmental funds	
Stormwater Treatment District Fund	\$ (2,550)
Total governmental funds	<u>\$ (2,550)</u>

The deficit in the Stormwater Treatment District is expected to be recovered from future revenues.

9. UNEARNED AND DEFERRED REVENUE

Unearned Revenue

Unearned revenues in the government-wide financial statements represent amounts for which revenues have not been earned. At June 30, 2016, unearned revenues in the government-wide financial statements were as follows:

Unearned Revenue		Governmental Activities
Prepaid business license renewals	\$	38,420
Prepaid rents		2,806
Total unearned revenue	<u>\$</u>	<u>41,226</u>

At June 30, 2016 unearned revenues in the fund financial statements were as follows:

	General Fund	Total Governmental Funds
Unearned revenue		
Business license renewals	\$ 38,420	\$ 38,420
Prepaid rental revenue	2,806	2,806
Total unearned revenue	<u>\$ 41,226</u>	<u>\$ 41,226</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

9. UNEARNED AND DEFERRED REVENUE, Continued

Deferred Revenue

Deferred inflows of resources were recorded in the fund financial statements because the funds were not available to finance expenditures of the current period. At June 30, 2016, deferred inflows of resources in the fund financial statements were as follows.

	General Fund	Successor Housing Agency	Non-major Governmental Funds	Total Governmental Funds
Deferred revenue				
Unavailable state-mandated program reimbursements	\$ 265,441	\$ -	\$ -	\$ 265,441
Unavailable loans receivable	14,520	3,315,600	10,000	\$ 3,340,120
Total deferred revenue	<u>\$ 279,961</u>	<u>\$ 3,315,600</u>	<u>\$ 10,000</u>	<u>\$ 3,605,561</u>

10. 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 one voting 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 and workers' compensation premium payments made to MPA for the fiscal year ending June 30, 2016 are in accordance with formulas established by the MPA. 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. Financial

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

10. RISK MANAGEMENT, Continued

statements may be obtained from MPA at 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

The City has had no settlements which exceeded insurance coverage during fiscal year ending June 30, 2016. 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.

11. PENSIONS

Plan Description

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes (not accounting purposes) and membership information is listed in the latest Annual Actuarial Valuation Report as of June 30, 2015. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the City's separate Public Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be obtained from CalPERS at 400 Q Street, Sacramento, CA 95811

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service become vested and are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS

Benefits Provided, Continued

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Pension Plan		
	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III (PEPRA)*</u>
Hire date	Before 7/1/2010	On or after 7/1/2010 but before 1/1/2013	On or after 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52
Monthly benefits, as % of eligible compensation	1.426% - 2.418%	1.092% - 2.418%	1.0% - 2.5%
	Safety Pension Plan		
	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III (PEPRA)*</u>
Hire date	Before 7/1/2010	On or after 7/1/2010 but before 1/1/2013	On or after 1/1/2013
Benefit formula	3% @ 55	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	50
Monthly benefits, as % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%	2.0% - 2.7%

* The California Public Employees' Reform ACT (PEPRA) was enacted in 2012 and became effective January 1, 2013.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS, Continued

Employees Covered

At June 30, 2016 the following employees were covered by the benefit terms for each plan:

	Miscellaneous			Public Safety		
	Tier I	Tier II	PEPRA	Tier I	Tier II	PEPRA
Inactive employees (or their beneficiaries) currently receiving benefits	25	-	-	24	-	-
Inactive employees entitled to but not yet receiving benefits	14	-	-	12	2	-
Active employees	12	5	2	7	1	3
Total	<u>51</u>	<u>5</u>	<u>2</u>	<u>43</u>	<u>3</u>	<u>3</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the City's contractually required contributions, which are actuarially determined, were as follows:

Pension Plan	Employer Contributions
Miscellaneous Tier I	\$ 166,633
Miscellaneous Tier II	17,114
Miscellaneous PEPRA	10,353
Public Safety Tier I	306,866
Public Safety Tier II	1,964
Public Safety PEPRA	27,747
Total	<u>\$ 530,677</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS, Continued

Contributions, Continued

The following is a summary of actuarially determined employer and contractually determined employee pension contribution rates as a percentage of payroll for the year ended June 30, 2016:

Pension Plan	Employer Contribution Rate	Employee Contribution Rate
Miscellaneous Tier I	17.232	7.000 ¹
Miscellaneous Tier II	8.005	7.000
Miscellaneous PEPRAs	6.250	6.250
Public Safety Tier I	39.158	9.000 ²
Public Safety Tier II	20.083	9.000
Public Safety PEPRAs	11.500	11.500

¹ Paid on behalf of employee per labor agreement referred to as "Employee Paid Member Contribution" (EPMC) by CalPERS.

² One-third of this rate paid on behalf of employee per labor agreement referred to as EPMC by CalPERS.

Net Pension Liability

At June 30, 2016, the City reported a total net pension liability for its proportionate share of the net pension liability for each rate plan as follows:

Pension Plan	Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability
Miscellaneous Tier I	\$ 1,500,758	0.055%
Miscellaneous Tier II	(1,324)	0.000%
Miscellaneous PEPRAs	(413)	0.000%
Public Safety Tier I	2,097,999	0.051%
Public Safety Tier II	(3,233)	0.000%
Public Safety PEPRAs	(16)	0.000%
Total	<u>\$ 3,593,771</u>	

The City's net pension liability was based on the proportionate shares (in dollars) determined by CalPERS based on individual actuarial measurement specific to each rate plan in the Miscellaneous Pool and the Safety Pool. The City's total proportionate share of the cost-sharing plan pension amounts is the sum of the pension amounts allocated to each of the City's Miscellaneous and Safety rate plans. The City's net pension liability is measured as of June 30, 2015, using annual actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS, Continued

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the City recognized pension expense of \$117,524. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 530,677	\$ -
Net differences between projected and actual earnings on pension plan investments	-	(120,935)
Adjustment due to differences in proportions	-	(216,190)
Changes in assumptions	-	(239,578)
Difference between actual and expected experiences	-	(23,481)
Difference in actual versus projected contributions	87,202	-
Total	\$ 617,879	\$ (600,184)

*Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources,
Continued*

\$530,677 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (measurement period ended June 30, 2016). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2016	\$ (134,995)
2017	(134,995)
2018	(134,995)
2019	(107,997)
Total	\$ (512,982)

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS, Continued

Discount Rate, Continued

different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS, Continued

Discount Rate, Continued

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% used for this period.

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% *
Mortality	Derived using CalPERS Membership Data for all Funds

* Net of pension plan investment and administrative expenses; includes inflation.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

11. PENSIONS, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.65 percent, as well as what the City's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% decrease	6.65%	6.65%	6.65%
Net pension liability	\$ 2,513,963	\$ 3,358,604	\$ 5,872,567
Current discount rate	7.65%	7.65%	7.65%
Net pension liability	\$ 1,499,021	\$ 2,094,750	\$ 3,593,771
1% increase	8.65%	8.65%	8.65%
Net pension liability	\$ 837,952	\$ 1,036,337	\$ 1,874,289

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. The plan's fiduciary net position disclosed per the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the City's funding actuarial valuation. In addition, differences may result from early financial statement closing and final reconciled reserves.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 only (no dental) 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

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

Plan Description, Continued

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. Currently the City pays the Public Employee's Medical and Capital Care Act (PEMHCA) minimum employer contribution which is \$112.50 per month as of June 30, 2016. For the fiscal year then ended there were six retired employees receiving retiree premium benefits. For the fiscal year ended June 30, 2016 the City contributed retiree premiums of \$7,680 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)	\$	55,433
Interest on net OPEB obligation		3,986
Adjustment to ARC		(5,542)
Annual OPEB Cost		53,877
Contributions made by the City		(7,680)
Contributions made by retirees		(16,309)
Total Contributions		(23,989)
Increase (decrease) in net OPEB obligation		29,888
Net OPEB obligation as of July 1, 2015		99,656
Net OPEB obligation as of June 30, 2016	\$	129,544

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2016 and the two preceding years were as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Actual Payments	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 44,303	\$ 30,251	68.28%	\$ 87,991
2015	43,727	32,062	73.32%	99,656
2016	53,877	23,989	44.53%	129,544

Funded Status and Funding Progress

The City's actuarial Accrued Liability (AAL) and unfunded Actuarial Accrued Liability (UAAL) is \$405,470, which is 22.28% of the \$1,820,066 covered payroll. There are no plan assets and as of June 30, 2016, 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 has elected to use 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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the Entry Age Normal method was used. The actuarial assumptions included a 4.0% investment rate of return, 4.0% rate of compensation increase, and an annual healthcare cost increase rate of 6.8% initially, reduced ultimately to 5% by 2026. The UAAL is being amortized on an open basis using the level dollar method and an amortization period of 30 years.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. 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).

In fiscal years subsequent to the statutory dissolution date, successor agencies are only 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 directed 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 was 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 required 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);

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

- 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 of the City until the fiscal year ending June 30, 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.
- ii. Requirements that the Successor Agency must complete due diligence reviews (DDR) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. The DDRs 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. The California Department of Finance (DOF) completed their review of the low and moderate income housing funds and issued a final determination letter to the City dated April 24, 2015 with no modifications. The Successor Housing Agency issued the payment specified by the DOF’s low and moderate housing funds determination letter in the fiscal year ending June 30, 2015, resulting in a net extraordinary loss of \$3,616,725 for the year then ended.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Background, Continued

On November 30, 2015, the DOF issued their final determination letter approving the all other funds DDR report with modifications. The modifications required an additional payment of \$230,983 to the County Auditor-Controller, which was reported as an Extraordinary Loss of the City's General Fund in the fiscal year ending June 30, 2016. The Successor Agency issued the payment specified by the DOF's final all other funds determination letter to the County Auditor-Controller's office in the fiscal year ending June 30, 2016, resulting in an extraordinary loss of \$1,025,396 for the year then ended.

Upon the DOF's approval of the DDRs, and the distribution of unobligated funds, the Successor Agency is authorized to 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. The Clayton Successor Received its finding of completion from the DOF on December 30, 2015.

Successor Agency Assets and Liabilities

Cash and Investments

The total cash and investments balance of \$1,021,992 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 entitles. See Note 4 for further information and disclosures regarding the City's pooled cash and investments.

Restricted Cash and Investments

\$188,696 represents restricted cash and investments held by fiscal agents at June 30, 2016, which has been designated for debt service payments.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Inter-Agency Loans

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, 2016, the outstanding balance of the loans due to the Successor Agency was \$127,044.

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, 2015, the outstanding balance of the note was \$475,000. The DOF authorized the repayment of this note in their approving of the Recognized Obligation Payment Schedule for the year ending June 30, 2017 in their letter to the City dated April 11, 2016. As of June 30, 2016 the unpaid balance of this loan was \$475,000. This note was paid in full in July 2016.

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 (DOF) for property tax revenues to K-12 schools during the 2011-12 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan balance is currently being reported on the required obligation payment schedules (ROPS) as an enforceable obligation to be repaid upon the "Successor Agency's" receipt of a notice of completion. As of June 30, 2016 the unpaid balance of this loan was \$592,412.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

Long-Term Debt

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2015:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due in one year	Due in more than one year
2014 Refunding Tax Allocation Bonds	\$ 3,790,000		\$ (325,000)	\$ 3,465,000	\$ 330,000	\$ 3,135,000
Total	\$ 3,790,000	\$ -	\$ (325,000)	\$ 3,465,000	\$ 330,000	\$ 3,135,000

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 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 2014 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. For the current year, principal and interest paid were \$325,000 and \$83,433, respectively.

The annual debt service requirements to amortize the Successor Agency's 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2016, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	\$ 330,000	\$ 75,900	\$ 405,900
2018	395,000	67,563	462,563
2019	400,000	58,420	458,420
2020	415,000	49,048	464,048
2021	420,000	39,445	459,445
2022-2025	1,505,000	70,321	1,575,321
Total	\$ 3,465,000	\$ 360,697	\$ 3,825,697

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

14. CONTINGENCIES

The City is a defendant in 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.

15. EQUITY BALANCES

Governmental Fund Balances

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2016 is as follows:

Fund Balance Classifications	Major Funds					Total
	General Fund	Landscape Maintenance District	Successor Housing Agency	Capital Improvement Program	Other Governmental Funds	
Nonspendable for:						
Investment in affordable housing	\$ -	\$ -	\$ 2,317,739	\$ -	\$ -	\$ 2,317,739
Notes receivable	259,142	-	1,316,212	-	-	1,575,354
Prepaid expenses	48,922	-	-	-	-	48,922
Total	<u>308,064</u>	<u>-</u>	<u>3,633,951</u>	<u>-</u>	<u>-</u>	<u>3,942,015</u>
Restricted for:						
Affordable housing	-	-	661,222	-	-	661,222
Landscaping	-	818,064	-	-	-	818,064
Grant-funded programs	-	-	-	-	200,453	200,453
Geological hazard prevention and repair	-	-	-	-	33,552	33,552
Parks	-	-	-	-	288,657	288,657
Stormwater unfunded mandates	-	-	-	-	29,864	29,864
Street lighting	-	-	-	-	108,971	108,971
Transportation	-	-	-	-	9,693	9,693
Total	<u>-</u>	<u>818,064</u>	<u>661,222</u>	<u>-</u>	<u>671,190</u>	<u>2,150,476</u>
Committed for:						
Geological hazard prevention and repair	-	-	-	-	123,100	123,100
Development impact	-	-	-	-	544,034	544,034
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,134</u>	<u>667,134</u>
Assigned for:						
FY 2016-17 budget	278,853	168,702	-	-	918,154	1,365,709
Capital projects	-	-	-	1,597,677	-	1,597,677
Total	<u>278,853</u>	<u>168,702</u>	<u>-</u>	<u>1,597,677</u>	<u>918,154</u>	<u>2,963,386</u>
Unassigned	5,031,142	-	-	-	(2,550)	5,028,592
Total Fund Balance	<u>\$ 5,618,059</u>	<u>\$ 986,766</u>	<u>\$ 4,295,173</u>	<u>\$ 1,597,677</u>	<u>\$ 2,253,928</u>	<u>\$ 14,751,603</u>

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

15. EQUITY BALANCES, Continued

Governmental Fund Balances, Continued

On February 3, 2016 the City Council approved the appropriation of \$389,895 in General Fund reserves arising from the surplus reported the fiscal year ending June 30, 2015. The purpose of this assignment was to address specific one-time capital and operational needs of the City that could not be addressed in the ordinary annual operating budget. At June 30, 2016, the balance of this General fund assignment was \$278,853, which was rolled into the fiscal year 2016-17 budget for the approved and specified purposes.

Net Position

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

The restricted component of net position at June 30, 2016 for governmental activities is as follows:

Restricted for public works:		
Landscaping	\$	818,064
Geological hazard prevention/repair		33,552
Stormwater compliance		29,864
Neighborhood street lighting		108,971
Transportation		9,693
Restricted for parks and recreation:		
"The Grove Park" maintenance and capital improvements		288,657
Restricted for public safety:		
Grants		200,453
Restricted for community and economic development:		
Affordable housing		6,294,561
Total restricted net position	\$	7,783,815

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

16. PRIOR PERIOD ADJUSTMENTS

Government-Wide Financial Statements

A prior period adjustment of \$7,522,392 was made to increase net position of the governmental activities to reflect the Successor Housing Agency as a special revenue fund of the primary government as of July, 1, 2015.

During the completion of the all other funds due diligence review it was identified that budgeted repayments had already been made from the former Redevelopment Agency to the City General Fund on the 2% Election Agreement prior to dissolution of the Redevelopment Agency on February 1, 2012. As such, a prior period adjustment of \$125,475 was necessary to reduce beginning net position for the overstated loan as of July 1, 2015.

The restatement of beginning net position of the governmental activities is summarized as follows:

Net position at July 1, 2015, as previously stated	\$ 35,459,216
Correction of error to restate Successor Housing Agency as a governmental fund	7,522,392
Correction of error to restate notes receivable	(125,475)
Correction of error to recognize deferred receivables	414,046
Net position at July 1, 2015, as restated	<u>\$ 43,270,179</u>

Fund Financial Statements

During the completion of the all other funds due diligence review it was identified that budgeted repayments had already been made from the former Redevelopment Agency to the City General Fund on the 2% Election Agreement prior to dissolution of the Redevelopment Agency on February 1, 2012. As such, a prior period adjustment of \$125,475 was necessary to reduce beginning fund balance of the General Fund and increase beginning net position of the Successor Agency private purpose trust fund for the overstated loan as of July 1, 2015.

A prior period adjustment of \$4,125,392 was made to report the Successor Housing Agency as a blended component unit special revenue fund of the primary government as of July, 1, 2015.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

16. PRIOR PERIOD ADJUSTMENTS, Continued

Fund Financial Statements, Continued

The restatement of beginning fund balance of the governmental funds is summarized as follows:

	General Fund	Successor Housing Agency	Total Governmental Funds
Fund balance at July 1, 2015, as previously stated	\$ 5,538,632	\$ -	\$ 10,869,410
Correction of error to restate notes receivable	(125,475)	-	(125,475)
Correction of error to restate Successor Housing Agency as a governmental fund	-	4,125,392	4,125,392
Fund balance at July 1, 2015, as restated	<u>\$ 5,413,157</u>	<u>\$ 4,125,392</u>	<u>\$ 14,869,327</u>

The restatement of beginning net position of the fiduciary funds is summarized as follows:

	Successor Agency Private Purpose Trust Fund
Net position at July 1, 2015, as previously stated	\$ (3,048,226)
Correction of error to restate notes receivable	125,475
Net position at July 1, 2015, as restated	<u>\$ (2,922,751)</u>

17. EXTRAORDINARY ITEM

On November 30, 2015, the California Department of Finance (DOF) issued their final determination letter approving the all other funds due diligence review report required by AB 1484 with modifications. The modifications resulted in an increase to the obligation owed to the County Auditor-Controller specified in the Oversight Board-approved due diligence review report of \$230,786. This is reported as an extraordinary loss to the City General Fund and governmental activities in the fiscal year ending June 30, 2016.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

17. EXTRAORDINARY ITEM, Continued

Following the receipt of the November 30, 2015 California Department of Finance determination letter, the City of Clayton Redevelopment Successor Agency issued payment of the unencumbered all other assets balance specified by the DOF determination letter to the County Auditor-Controller's Office. The total payment remitted to the County Auditor-Controller was \$1,256,182. This payment, after incorporating \$230,786 received by the City's General Fund, resulted in an extraordinary loss of \$1,025,396 being reported by the Successor Agency private purpose trust fund for the year ended June 30, 2016.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were available to be issued. The following subsequent events were noted:

New Miscellaneous Employee Labor Agreement

On July 5, 2016 the City Council approved a three year memorandum of agreement with the City's undesignated miscellaneous employees unit effective July 1, 2016. The new agreement establishes an annual 3.0% cost of living adjustment over the term of the agreement for all 15.20 full-time employees included in the unit at that time. The new agreement also enacted the sunset of a 2.0% longevity pay that was previously established for eligible employees.

Extension of the Landscape Maintenance Community Facility's District Special Parcel Tax

On July 19, 2016 the City Council adopted a resolution certifying the results of the canvass of returns in the June 2016 Primary Election declaring the local electorate's two-thirds affirmative passage (79.23%) of Clayton Ballot Measure "H" to extend the Landscape Maintenance District's special parcel tax. With the passing of Measure H, the special parcel tax was extended for an additional ten years, through the fiscal year ending June 30, 2027.

City Maintenance Department Staffing Modifications

On August 16, 2016 the City Council approved modifications to the staffing of the maintenance department, deleting one full-time fully benefited position and adding two new full-time fully benefited ones. Subsequent to this change, the City's full-time budgeted staffing increased to 26.20 positions.

City of Clayton
Notes to Basic Financial Statements
For the year ended June 30, 2016

18. SUBSEQUENT EVENTS, Continued

Settlement of 1999 Fire Station Note

The California DOF issued a determination letter on April 11, 2016 approving the Clayton Successor Agency's Recognized Obligation Payment Schedule (ROPS) for the year ending June 30, 2017. Among other obligations, the determination letter approved the allocation of Redevelopment Property Tax Trust Fund (RPTTF) monies to repay the balance of the 1999 Fire Station Note. As per the DOF determination letter, RPTTF monies totaling \$809,203 for the six month ROPS period ending December 31, 2016 were received by the Clayton Successor Agency in June 2016. Pursuant to the Oversight Board-approved ROPS and the April 11, 2016 DOF determination letter, the 1999 Fire Station Note was paid in full from the Successor Agency to the City in July 2016.

Downtown Vacant Lot

On July 10, 2016 the City Council approved an exclusive negotiation agreement with Pacific Union Land Investors, LLC (Pacific Union), for the prospective sale and development of the City-owned vacant property in the Clayton town center located at 6005 Main Street. The ENA provides the roadmap to ultimately result in a disposition and development agreement that accompanies the land use application for public review. Sale and change in title ownership of the land is not accomplished by the ENA transaction, which would occur when Pacific Union is ready to pull its approved building permits, which may entail a review process of eighteen to twenty-four months for conclusion. The ENA specifies an agreed-upon price of \$1,625,000 for the property. An amendment to the City's General Plan may be required dependent on the intended land use specified in Pacific Union's land use application. The ENA specifies the Pacific Union has until November 1, 2016 to conduct its feasibility analysis of the transaction. Should Pacific Union fail to meet this submission deadline, the ENA automatically terminates unless the mutually extended in writing by the City and Pacific Union.

REQUIRED SUPPLEMENTARY INFORMATION

City of Clayton
Notes to the Required Supplementary Information
For the year ended June 30, 2016

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 re-budgeted 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.

2. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

This information is intended to help users assess the City's Pension and Other Postemployment Benefits (OPEB) plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - General Fund

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,114,380	\$ 2,114,380	\$ 2,256,780	\$ 142,400
Sales tax	401,800	401,800	372,705	(29,095)
Permits, licenses and fees	287,862	287,862	283,626	(4,236)
Fines, forfeitures and penalties	73,060	73,060	84,270	11,210
From other agencies	85,090	85,090	250,025	164,935
Motor vehicle in-lieu fees	4,680	4,680	4,554	(126)
Other in-lieu fees	154,852	154,852	154,852	-
Franchise fees	516,700	516,700	516,607	(93)
Service charges	332,816	332,816	342,308	9,492
Use of money and property	38,000	38,000	104,016	66,016
Other revenue	10,640	10,640	16,523	5,883
Total Revenues	<u>4,019,880</u>	<u>4,019,880</u>	<u>4,386,266</u>	<u>366,386</u>
EXPENDITURES				
Current:				
General government	1,079,374	\$ 1,127,711	1,068,970	58,741
Public works	142,945	213,753	152,280	61,473
Parks and recreation services	400,896	400,896	295,284	105,612
Community and economic development	353,423	353,423	354,083	(660)
Public safety	2,119,290	2,157,527	2,138,283	19,244
Capital Outlay	-	184,983	-	184,983
Total Expenditures	<u>4,095,928</u>	<u>4,438,293</u>	<u>4,008,900</u>	<u>429,393</u>
Revenues Over (Under) Expenditures	<u>(76,048)</u>	<u>(418,413)</u>	<u>377,366</u>	<u>795,779</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	104,564	104,564	104,565	1
Transfers out	-	(46,243)	(46,243)	-
Total Other Financing Sources (Uses)	<u>104,564</u>	<u>58,321</u>	<u>58,322</u>	<u>1</u>
Change in Fund Balance Before Extraordinary Items	<u>\$ 28,516</u>	<u>\$ (360,092)</u>	435,688	<u>\$ 795,780</u>
Extraordinary gain (loss) on RDA settlement			<u>(230,786)</u>	
Change in fund balance			204,902	
FUND BALANCE				
Beginning of year, as restated (Note 16)			<u>5,413,157</u>	
End of year			<u>\$ 5,618,059</u>	

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Landscape Maintenance District

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
REVENUES				
Special parcel tax	\$ 1,029,751	\$ 1,029,751	\$ 1,029,544	\$ (207)
Use of money and property	4,000	4,000	19,571	15,571
Total Revenues	<u>1,033,751</u>	<u>1,033,751</u>	<u>1,049,115</u>	<u>15,364</u>
EXPENDITURES				
Current:				
Public works	810,100	810,100	645,132	164,968
Capital Outlay	477,000	516,030	197,753	318,277
Total Expenditures	<u>1,287,100</u>	<u>1,326,130</u>	<u>842,885</u>	<u>483,245</u>
Revenues Over (Under) Expenditures	<u>(253,349)</u>	<u>(292,379)</u>	<u>206,230</u>	<u>498,609</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(34,775)	(34,775)	(35,666)	(891)
Total Other Financing Sources (Uses)	<u>(34,775)</u>	<u>(34,775)</u>	<u>(35,666)</u>	<u>(891)</u>
Change in fund balance	<u>\$ (288,124)</u>	<u>\$ (327,154)</u>	<u>170,564</u>	<u>\$ 497,718</u>
FUND BALANCE				
Beginning of year			<u>816,202</u>	
End of year			<u>\$ 986,766</u>	

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Housing Successor Agency

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Program income	\$ 81,400	\$ 81,400	\$ 81,400	\$ -
Use of money and property	7,400	7,400	94,413	87,013
Total Revenues	<u>88,800</u>	<u>88,800</u>	<u>175,813</u>	<u>87,013</u>
EXPENDITURES				
Current:				
Community and economic development	10,000	10,000	6,032	3,968
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>6,032</u>	<u>3,968</u>
Revenues Over (Under) Expenditures	<u>78,800</u>	<u>78,800</u>	<u>169,781</u>	<u>90,981</u>
Change in fund balance	<u>\$ 78,800</u>	<u>\$ 78,800</u>	<u>169,781</u>	<u>\$ 90,981</u>
FUND BALANCE				
Beginning of year			<u>4,125,392</u>	
End of year			<u>\$ 4,295,173</u>	

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Capital Improvement Program Fund

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ 34,897	\$ 34,897
Other revenue	385,000	385,000	20,160	(364,840)
Total Revenues	385,000	385,000	55,057	(329,943)
EXPENDITURES				
Capital Outlay	1,696,863	1,696,863	1,018,555	678,308
Total Expenditures	1,696,863	1,696,863	1,018,555	678,308
Revenues Over (Under) Expenditures	(1,311,863)	(1,311,863)	(963,498)	348,365
OTHER FINANCING SOURCES (USES)				
Transfers in	1,271,384	1,271,384	789,574	(481,810)
Transfers out	-	-	(236,487)	(236,487)
Total Other Financing Sources (Uses)	1,271,384	1,271,384	553,087	(718,297)
Change in fund balance	\$ (40,479)	\$ (40,479)	(410,411)	\$ (369,932)
FUND BALANCE				
Beginning of year			2,008,088	
End of year			\$ 1,597,677	

This page intentionally left blank

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability
Miscellaneous Tier I Plan
Last 10 Years*

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.055%	0.055%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,493,574	\$ 1,500,758
Plan's Covered-Employee Payroll	\$ 684,529	\$ 608,632
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	218.190%	246.579%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.597%	78.029%

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Pension Plan Contributions
Miscellaneous Tier I Plan
Last 10 Years*

	June 30th	
	2015	2016
Actuarially determined contributions	\$ 117,958	\$ 166,633
Contributions in relation to the actuarially determined contribution	<u>117,958</u>	<u>166,633</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 684,529	\$ 608,632
Contributions as a percentage of covered-employee payroll	17.232%	27.378%

Notes to Schedule:

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability
Miscellaneous Tier II Plan
Last 10 Years*

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.000%	0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,190	\$ (1,324)
Plan's Covered-Employee Payroll	\$ 248,741	\$ 255,094
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.478%	-0.519%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.024%	102.916%

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Pension Plan Contributions
Miscellaneous Tier II Plan
Last 10 Years***

	June 30th	
	2015	2016
Actuarially determined contributions	\$ 19,912	\$ 17,114
Contributions in relation to the actuarially determined contribution	<u>19,912</u>	<u>17,114</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 248,741	\$ 255,094
Contributions as a percentage of covered-employee payroll	8.005%	6.709%

Notes to Schedule:

Valuation Date:

June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Proportionate Share of Net Pension Liability
Miscellaneous PEPRA Plan
Last 10 Years***

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.000%	0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 80	\$ (413)
Plan's Covered-Employee Payroll	\$ 130,344	\$ 166,221
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.061%	-0.248%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.015%	102.612%

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Pension Plan Contributions
Miscellaneous PEPRA Plan
Last 10 Years***

	June 30th	
	2015	2016
Actuarially determined contributions	\$ 8,147	\$ 10,353
Contributions in relation to the actuarially determined contribution	8,147	10,353
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 130,344	\$ 166,221
Contributions as a percentage of covered-employee payroll	6.250%	6.228%

Notes to Schedule:

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Proportionate Share of Net Pension Liability
Safety Tier I Plan
Last 10 Years***

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.058%	0.051%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,192,623	\$ 2,097,999
Plan's Covered-Employee Payroll	\$ 527,456	\$ 534,623
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	415.698%	392.426%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.796%	75.716%

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Pension Plan Contributions
Safety Tier I Plan
Last 10 Years***

	June 30th	
	2015	2016
Actuarially determined contributions	\$ 206,541	\$ 306,866
Contributions in relation to the actuarially determined contribution	<u>206,541</u>	<u>306,866</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 527,456	\$ 534,623
Contributions as a percentage of covered-employee payroll	39.158%	57.399%

Notes to Schedule:

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Proportionate Share of Net Pension Liability
Safety Tier II Plan
Last 10 Years***

	June 30th	
	2015	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.000%	0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 5,927	\$ (3,233)
Plan's Covered-Employee Payroll	\$ 115,439	\$ 14,219
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	5.134%	-22.737%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.417%	103.545%

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Pension Plan Contributions
Safety Tier II Plan
Last 10 Years***

	June 30th	
	2015	2016
Actuarially determined contributions	\$ 23,184	\$ 1,964
Contributions in relation to the actuarially determined contribution	<u>23,184</u>	<u>1,964</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 115,439	\$ 14,219
Contributions as a percentage of covered-employee payroll	20.083%	13.813%

Notes to Schedule:

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability
Safety PEPRA Plan
Last 10 Years*

	<u>June 30, 2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ (16)
Plan's Covered-Employee Payroll	\$ 241,277
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-0.007%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	103.033%

* Fiscal year ending June 30, 2016 was the 1st year of implementation for the Safety PEPRA plan, therefore only one year is shown.

**City of Clayton
Required Supplementary Information
For the year ended June 30, 2016**

**Schedule of Pension Plan Contributions
Safety PEPRA Plan
Last 10 Years***

	June 30, 2016
Actuarially determined contributions	\$ 27,747
Contributions in relation to the actuarially determined contribution	27,747
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 241,277
Contributions as a percentage of covered-employee payroll	11.500%

Notes to Schedule:

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	3.00%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ending June 30, 2015 was the 1st year of implementation, therefore only two years are shown.

City of Clayton
Required Supplementary Information
For the year ended June 30, 2016

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2010	-	\$ (400,257)	\$ (400,257)	0.00%	\$ 2,063,079	-19.40%
July 1, 2012	-	(428,065)	(428,065)	0.00%	1,934,929	-22.12%
July 1, 2015	-	(405,470)	(405,470)	0.00%	1,820,066	-22.28%

SUPPLEMENTARY INFORMATION

This page intentionally left blank

NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

Clayton Development Impact Fees Fund - Accounts for projects funded with the development impact fees.

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.

Grants Fund - Accounts for grants received for specific programs and projects.

The Grove Park 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 for "The Grove Park" in the downtown area.

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.

Neighborhood Street Lighting Fund - Accounts for assessments collected to maintain residential street lighting.

Oakhurst Geological Hazard Abatement District Fund - 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.

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

Stormwater Assessment District Fund - Accounts for real property assessments collected to comply with the National Pollution Discharge Elimination System.

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.

City of Clayton
Combining Balance Sheets
Non-major Governmental Funds
June 30, 2016

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park CFD 2006-1
ASSETS				
Cash and investments	\$ 613,794	\$ 113,134	\$ 321,006	\$ 300,292
Accounts receivable	-	-	3,806	10,000
Taxes Receivable	-	-	-	-
Prepaid expenses	-	-	147	-
Total Assets	\$ 613,794	\$ 113,134	\$ 324,959	\$ 310,292
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 4,288	\$ 480	\$ 11,385
Other payables	-	-	1,755	250
Due to other funds	-	-	-	-
Advance from other funds	2,580	-	-	-
Total Liabilities	2,580	4,288	2,235	11,635
Deferred Inflows of Resources:				
Deferred billings	-	-	-	10,000
Total Deferred Inflows of Resources	-	-	-	10,000
Fund Balance:				
Restricted	-	-	200,453	288,657
Committed	544,034	-	-	-
Assigned	67,180	108,846	122,271	-
Unassigned	-	-	-	-
Total Fund Balance	611,214	108,846	322,724	288,657
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 613,794	\$ 113,134	\$ 324,959	\$ 310,292

Special Revenue						
Measure J Fund	Neighborhood Streetlights	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment District Assessment Fund	Total Other Governmental Funds
\$ 243,138	\$ 129,144	\$ 38,069	\$ 123,100	\$ 123,271	\$ -	\$ 2,004,948
278,549	-	-	-	12,713	-	305,068
-	-	-	-	-	-	-
-	-	-	-	-	-	147
<u>\$ 521,687</u>	<u>\$ 129,144</u>	<u>\$ 38,069</u>	<u>\$ 123,100</u>	<u>\$ 135,984</u>	<u>\$ -</u>	<u>\$ 2,310,163</u>
\$ -	\$ 4,735	\$ 3,831	\$ -	\$ 14,381	\$ -	\$ 39,100
-	-	-	-	-	-	2,005
-	-	-	-	-	2,550	2,550
-	-	-	-	-	-	2,580
-	4,735	3,831	-	14,381	2,550	46,235
-	-	-	-	-	-	10,000
-	-	-	-	-	-	10,000
9,693	108,971	33,552	-	29,864	-	671,190
-	-	-	123,100	-	-	667,134
511,994	15,438	686	-	91,739	-	918,154
-	-	-	-	-	(2,550)	(2,550)
<u>521,687</u>	<u>124,409</u>	<u>34,238</u>	<u>123,100</u>	<u>121,603</u>	<u>(2,550)</u>	<u>2,253,928</u>
<u>\$ 521,687</u>	<u>\$ 129,144</u>	<u>\$ 38,069</u>	<u>\$ 123,100</u>	<u>\$ 135,984</u>	<u>\$ -</u>	<u>\$ 2,310,163</u>

City of Clayton
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-major Governmental Funds
For the year ended June 30, 2016

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park
REVENUES				
Special parcel taxes and assessments	\$ -	\$ 33,100	\$ -	\$ 123,008
Permits, licenses and fees	2,040	-	-	1,612
Intergovernmental	-	219,677	160,883	-
Use of money and property	12,556	1,481	6,404	5,710
Other revenue	-	-	-	11,834
Total Revenues	14,596	254,258	167,287	142,164
EXPENDITURES				
Current:				
Public works	-	155,488	-	-
Parks and recreation services	-	-	-	80,270
Community and economic development	-	-	-	-
Public safety	-	-	143,338	-
Capital Outlay	3,911	-	47,915	390
Total Expenditures	3,911	155,488	191,253	80,660
Revenues Over (Under) Expenditures	10,685	98,770	(23,966)	61,504
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(418,573)	-	(6,880)
Total Other Financing Sources (Uses)	-	(418,573)	-	(6,880)
Net change in fund balances	10,685	(319,803)	(23,966)	54,624
FUND BALANCES				
Beginning of year, as restated (Note 16)	600,529	428,649	346,690	234,033
End of year	\$ 611,214	\$ 108,846	\$ 322,724	\$ 288,657

Special Revenue						
Measure J Fund	Neighborhood Streetlights	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment District Assessment Fund	Total Other Governmental Funds
\$ -	\$ 125,807	\$ 37,334	\$ -	\$ 88,363	\$ -	\$ 407,612
-	-	-	-	40,926	-	44,578
333,954	-	-	-	-	-	714,514
3,959	2,637	591	2,517	2,214	-	38,069
-	-	-	-	-	-	11,834
<u>337,913</u>	<u>128,444</u>	<u>37,925</u>	<u>2,517</u>	<u>131,503</u>	<u>-</u>	<u>1,216,607</u>
23,874	131,201	-	-	129,708	-	440,271
-	-	-	-	-	-	80,270
-	-	19,047	-	-	-	19,047
-	-	-	-	-	-	143,338
-	-	7,039	-	-	-	59,255
<u>23,874</u>	<u>131,201</u>	<u>26,086</u>	<u>-</u>	<u>129,708</u>	<u>-</u>	<u>742,181</u>
<u>314,039</u>	<u>(2,757)</u>	<u>11,839</u>	<u>2,517</u>	<u>1,795</u>	<u>-</u>	<u>474,426</u>
131,487	-	-	-	912	-	132,399
(381,364)	(10,826)	(6,798)	-	(34,944)	-	(859,385)
<u>(249,877)</u>	<u>(10,826)</u>	<u>(6,798)</u>	<u>-</u>	<u>(34,032)</u>	<u>-</u>	<u>(726,986)</u>
64,162	(13,583)	5,041	2,517	(32,237)	-	(252,560)
<u>457,525</u>	<u>137,992</u>	<u>29,197</u>	<u>120,583</u>	<u>153,840</u>	<u>(2,550)</u>	<u>2,506,488</u>
<u>\$ 521,687</u>	<u>\$ 124,409</u>	<u>\$ 34,238</u>	<u>\$ 123,100</u>	<u>\$ 121,603</u>	<u>\$ (2,550)</u>	<u>\$ 2,253,928</u>

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Development Impact Fees
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Permits, licenses and fees	\$ -	\$ -	\$ 2,040	\$ 2,040
Use of money and property	6,200	6,200	12,556	6,356
Total Revenues	<u>6,200</u>	<u>6,200</u>	<u>14,596</u>	<u>8,396</u>
EXPENDITURES				
Capital Outlay	60,180	60,180	3,911	56,269
Total Expenditures	<u>60,180</u>	<u>60,180</u>	<u>3,911</u>	<u>56,269</u>
Revenues Over (Under) Expenditures	<u>(53,980)</u>	<u>(53,980)</u>	<u>10,685</u>	<u>64,665</u>
Change in fund balance	<u>\$ (53,980)</u>	<u>\$ (53,980)</u>	<u>10,685</u>	<u>\$ 64,665</u>
FUND BALANCE				
Beginning of year			<u>600,529</u>	
End of year			<u>\$ 611,214</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Gas Tax
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 29,339	\$ 29,339	\$ 33,100	\$ 3,761
Intergovernmental	242,993	242,993	219,677	(23,316)
Use of money and property	2,400	2,400	1,481	(919)
Total Revenues	<u>274,732</u>	<u>274,732</u>	<u>254,258</u>	<u>(20,474)</u>
EXPENDITURES				
Public works	129,326	129,326	155,488	(26,162)
Total Expenditures	<u>129,326</u>	<u>129,326</u>	<u>155,488</u>	<u>(26,162)</u>
Revenues Over (Under) Expenditures	<u>145,406</u>	<u>145,406</u>	<u>98,770</u>	<u>(46,636)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(540,891)	(540,891)	(418,573)	122,318
Total Other Financing Sources (Uses)	<u>(540,891)</u>	<u>(540,891)</u>	<u>(418,573)</u>	<u>122,318</u>
Change in fund balance	<u>\$ (395,485)</u>	<u>\$ (395,485)</u>	(319,803)	<u>\$ 75,682</u>
FUND BALANCE				
Beginning of year			<u>428,649</u>	
End of year			<u>\$ 108,846</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Grants
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 120,100	\$ 120,100	\$ 160,883	\$ 40,783
Use of money and property	2,560	2,560	6,404	3,844
Total Revenues	<u>122,660</u>	<u>122,660</u>	<u>167,287</u>	<u>44,627</u>
EXPENDITURES				
Current:				
Public safety	149,921	149,921	143,338	6,583
Public works	26,752	26,752	47,915	(21,163)
Total Expenditures	<u>176,673</u>	<u>176,673</u>	<u>191,253</u>	<u>(14,580)</u>
Revenues Over (Under) Expenditures	<u>(54,013)</u>	<u>(54,013)</u>	<u>(23,966)</u>	<u>30,047</u>
Change in fund balance	<u>\$ (54,013)</u>	<u>\$ (54,013)</u>	<u>(23,966)</u>	<u>\$ 30,047</u>
FUND BALANCE				
Beginning of year			<u>346,690</u>	
End of year			<u>\$ 322,724</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - The Grove Park
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 123,036	\$ 123,036	\$ 123,008	\$ (28)
Permits, licenses and fees	1,000	1,000	1,612	612
Use of money and property	2,600	2,600	5,710	3,110
Other revenue	10,000	10,000	11,834	1,834
Total Revenues	<u>136,636</u>	<u>136,636</u>	<u>142,164</u>	<u>5,528</u>
EXPENDITURES				
Current:				
Parks and recreation services	117,408	117,408	80,270	37,138
Capital Outlay	18,000	18,000	390	17,610
Total Expenditures	<u>135,408</u>	<u>135,408</u>	<u>80,660</u>	<u>54,748</u>
Revenues Over (Under) Expenditures	<u>1,228</u>	<u>1,228</u>	<u>61,504</u>	<u>60,276</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,880)	(6,880)	(6,880)	-
Total Other Financing Sources (Uses)	<u>(6,880)</u>	<u>(6,880)</u>	<u>(6,880)</u>	<u>-</u>
Change in fund balance	<u>\$ (5,652)</u>	<u>\$ (5,652)</u>	54,624	<u>\$ 60,276</u>
FUND BALANCE				
Beginning of year			<u>234,033</u>	
End of year			<u>\$ 288,657</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Measure J Fund
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 302,537	\$ 302,537	\$ 333,954	\$ 31,417
Use of money and property	1,000	1,000	3,959	2,959
Total Revenues	<u>303,537</u>	<u>303,537</u>	<u>337,913</u>	<u>34,376</u>
EXPENDITURES				
Current:				
Public works	23,000	23,000	23,874	(874)
Total Expenditures	<u>23,000</u>	<u>23,000</u>	<u>23,874</u>	<u>(874)</u>
Revenues Over (Under) Expenditures	<u>280,537</u>	<u>280,537</u>	<u>314,039</u>	<u>33,502</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	131,487	131,487
Transfers out	(741,956)	(741,956)	(381,364)	360,592
Total Other Financing Sources (Uses)	<u>(741,956)</u>	<u>(741,956)</u>	<u>(249,877)</u>	<u>492,079</u>
Change in fund balance	<u>\$ (461,419)</u>	<u>\$ (461,419)</u>	64,162	<u>\$ 525,581</u>
FUND BALANCE				
Beginning of year			<u>457,525</u>	
End of year			<u>\$ 521,687</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Neighborhood Streetlights
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 125,991	\$ 125,991	\$ 125,807	\$ (184)
Use of money and property	1,300	1,300	2,637	1,337
Total Revenues	<u>127,291</u>	<u>127,291</u>	<u>128,444</u>	<u>1,153</u>
EXPENDITURES				
Current:				
Public works	128,500	128,500	131,201	(2,701)
Total Expenditures	<u>128,500</u>	<u>128,500</u>	<u>131,201</u>	<u>(2,701)</u>
Revenues Over (Under) Expenditures	<u>(1,209)</u>	<u>(1,209)</u>	<u>(2,757)</u>	<u>(1,548)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,826)	(10,826)	(10,826)	-
Total Other Financing Sources (Uses)	<u>(10,826)</u>	<u>(10,826)</u>	<u>(10,826)</u>	<u>-</u>
Change in fund balance	<u>\$ (12,035)</u>	<u>\$ (12,035)</u>	<u>(13,583)</u>	<u>\$ (1,548)</u>
FUND BALANCE				
Beginning of year			<u>137,992</u>	
End of year			<u>\$ 124,409</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Oakhurst Geological Hazard Abatement District
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 37,414	\$ 37,414	\$ 37,334	\$ (80)
Use of money and property	230	230	591	361
Total Revenues	<u>37,644</u>	<u>37,644</u>	<u>37,925</u>	<u>281</u>
EXPENDITURES				
Current:				
Community and economic development	20,870	20,870	19,047	1,823
Capital Outlay	10,000	10,000	7,039	2,961
Total Expenditures	<u>30,870</u>	<u>30,870</u>	<u>26,086</u>	<u>4,784</u>
Revenues Over (Under) Expenditures	<u>6,774</u>	<u>6,774</u>	<u>11,839</u>	<u>5,065</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,798)	(6,798)	(6,798)	-
Total Other Financing Sources (Uses)	<u>(6,798)</u>	<u>(6,798)</u>	<u>(6,798)</u>	<u>-</u>
Change in fund balance	<u>\$ (24)</u>	<u>\$ (24)</u>	5,041	<u>\$ 5,065</u>
FUND BALANCE				
Beginning of year			<u>29,197</u>	
End of year			<u>\$ 34,238</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Presley Settlement
For the year ended June 30, 2016

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ 1,070	\$ 1,070	\$ 2,517	\$ 1,447
Total Revenues	<u>1,070</u>	<u>1,070</u>	<u>2,517</u>	<u>1,447</u>
EXPENDITURES				
Current:				
Community and economic development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>1,070</u>	<u>1,070</u>	<u>2,517</u>	<u>1,447</u>
Change in fund balance	<u>\$ 1,070</u>	<u>\$ 1,070</u>	2,517	<u>\$ 1,447</u>
FUND BALANCE				
Beginning of year			<u>120,583</u>	
End of year			<u>\$ 123,100</u>	

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule - Stormwater Assessment
For the year ended June 30, 2016

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES				
Special parcel taxes and assessments	\$ 82,240	\$ 82,240	\$ 88,363	\$ 6,123
Permits, licenses and fees	40,952	40,952	40,926	(26)
Use of money and property	1,200	1,200	2,214	1,014
Total Revenues	<u>124,392</u>	<u>124,392</u>	<u>131,503</u>	<u>7,111</u>
EXPENDITURES				
Current:				
Public works	178,549	178,549	129,708	48,841
Total Expenditures	<u>178,549</u>	<u>178,549</u>	<u>129,708</u>	<u>48,841</u>
Revenues Over (Under) Expenditures	<u>(54,157)</u>	<u>(54,157)</u>	<u>1,795</u>	<u>55,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	912	912	912	-
Transfers out	(34,944)	(34,944)	(34,944)	-
Total Other Financing Sources (Uses)	<u>(34,032)</u>	<u>(34,032)</u>	<u>(34,032)</u>	<u>-</u>
Change in fund balance	<u>\$ (88,189)</u>	<u>\$ (88,189)</u>	<u>(32,237)</u>	<u>\$ 55,952</u>
FUND BALANCE				
Beginning of year			<u>153,840</u>	
End of year			<u>\$ 121,603</u>	

INTERNAL SERVICE FUNDS

Internal service funds account for activities that provide goods or services to other City funds or department on a cost reimbursement basis. The following are the City's internal service funds:

Capital Equipment Replacement Fund (CERF) - This fund accounts for the operation, maintenance, depreciation, and replacement of City vehicles and equipment.

Self-Insurance Fund - 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 Statement of Net Position
Internal Service Funds
For the year ended June 30, 2016

	<u>Capital Equipment Replacement</u>	<u>Self- Insurance</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 177,515	\$ 53,872	\$ 231,387
Noncurrent Assets:			
Depreciable assets, net	<u>334,148</u>	<u>-</u>	<u>334,148</u>
Total Asset	<u>511,663</u>	<u>53,872</u>	<u>565,535</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	334,148	-	334,148
Unrestricted	<u>177,515</u>	<u>53,872</u>	<u>231,387</u>
Total Net Position	<u>\$ 511,663</u>	<u>\$ 53,872</u>	<u>\$ 565,535</u>

City of Clayton
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2016

	Capital Equipment Replacement	Self- Insurance	Total
OPERATING REVENUES			
Charges for current services	\$ 26,451	\$ -	\$ 26,451
Total Operating Revenues	<u>26,451</u>	<u>-</u>	<u>26,451</u>
OPERATING EXPENSES			
General and administrative	-	11,676	11,676
Depreciation and amortization	108,781	-	108,781
Total Operating Expenses	<u>108,781</u>	<u>11,676</u>	<u>120,457</u>
Operating Income (Loss)	(82,330)	(11,676)	(94,006)
NONOPERATING REVENUES (EXPENSES)			
Gain on disposal of assets	792	-	792
Investment income (loss)	3,810	1,129	4,939
Other income	-	4,827	4,827
Total Nonoperating Revenues (Expenses)	<u>4,602</u>	<u>5,956</u>	<u>10,558</u>
Net (loss) Before Contributions and Operating Transfers	(77,728)	(5,720)	(83,448)
Capital contributions	20,953	-	20,953
Transfers in	151,243	-	151,243
Change in Net Position	94,468	(5,720)	88,748
NET POSITION:			
Beginning of fiscal year	<u>417,195</u>	<u>59,592</u>	<u>476,787</u>
End of fiscal year	<u>\$ 511,663</u>	<u>\$ 53,872</u>	<u>\$ 565,535</u>

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2016

	<u>Capital Equipment Replacement</u>	<u>Self- Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/other funds	\$ 26,451	\$ -	\$ 26,451
Cash payment to suppliers for good and services	<u>-</u>	<u>(11,676)</u>	<u>(11,676)</u>
Net cash provided (used) by operating activities	<u>26,451</u>	<u>(11,676)</u>	<u>14,775</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	<u>151,243</u>	<u>-</u>	<u>151,243</u>
Net cash provided (used) by noncapital financing activities	<u>151,243</u>	<u>-</u>	<u>151,243</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	(146,792)	-	(146,792)
Capital contributions	20,953	-	20,953
Gain on sale of assets	792	-	792
Other income	<u>-</u>	<u>4,827</u>	<u>4,827</u>
Net cash provided (used) by capital and related financing activities	<u>(125,047)</u>	<u>4,827</u>	<u>(120,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>3,810</u>	<u>1,129</u>	<u>4,939</u>
Net Cash provided (used) by investing activities	<u>3,810</u>	<u>1,129</u>	<u>4,939</u>
Net increase (decrease) in cash and cash equivalents	56,457	(5,720)	50,737
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	<u>121,058</u>	<u>59,592</u>	<u>180,650</u>
End of fiscal year	<u>\$ 177,515</u>	<u>\$ 53,872</u>	<u>\$ 231,387</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (82,330)	\$ (11,676)	\$ (94,006)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	<u>108,781</u>	<u>-</u>	<u>108,781</u>
Net cash provided (used) by operating activities	<u>\$ 26,451</u>	<u>\$ (11,676)</u>	<u>\$ 14,775</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 other non-public organizations. The following are reported as agency funds:

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

Clayton Financing Authority 2007 Refunding - 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.

Clayton Station Community Facilities District No. 1990-2 - Accounts for assessments to pay indebtedness of the Clayton Station Community Facilities District No. 1990-2.

Deposits Fund - Represents funds held for: performance deposits, Clayton Community Library Foundation deposits, Clayton Community Gym Donation deposits, refundable rental security deposits, planning services deposits, engineering plan check deposits, and other various deposits.

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

High Street Bridge Benefit Assessment District - Accounts for real property assessments collected to maintain bridges.

Lydia Lane Sewer Benefit Assessment District - Accounts for real property assessments to be collected for construction of a sewer system.

Middle School Community Facilities District No. 1990-1 - Accounts for assessments to pay indebtedness of the Middle School Community Facilities District No. 1990-1.

Oak Street Bridge Benefit Assessment District - Accounts for real property assessments collected to maintain bridges.

Oak Street Sewer Benefit Assessment District - Accounts for real property assessments to be collected for construction of a sewer system.

City of Clayton
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Clayton Financing Authority</u>				
Assets:				
Cash and investments	\$ 699,488	\$ 14,599	\$ -	\$ 714,087
Total Assets	<u>\$ 699,488</u>	<u>\$ 14,599</u>	<u>\$ -</u>	<u>\$ 714,087</u>
Liabilities:				
Other liabilities	\$ 699,488	\$ 14,599	\$ -	\$ 714,087
Total Liabilities	<u>\$ 699,488</u>	<u>\$ 14,599</u>	<u>\$ -</u>	<u>\$ 714,087</u>
<u>Clayton Financing Authority 2007 Refunding Bonds</u>				
Assets:				
Cash and investments	\$ 118,212	\$ 10,733	\$ (8,266)	\$ 120,679
Cash with fiscal agent	458,732	394,246	(423,140)	429,838
Accounts receivable	38,000	58,900	(38,000)	58,900
Investment in bonds	3,012,000	-	(296,000)	2,716,000
Total Assets	<u>\$ 3,626,944</u>	<u>\$ 463,879</u>	<u>\$ (765,406)</u>	<u>\$ 3,325,417</u>
Liabilities:				
Other liabilities	\$ 746,944	\$ 13,473	\$ -	\$ 760,417
Due to bondholders	2,880,000	-	(315,000)	2,565,000
Total Liabilities	<u>\$ 3,626,944</u>	<u>\$ 13,473</u>	<u>\$ (315,000)</u>	<u>\$ 3,325,417</u>
<u>Clayton Station Community Facilities District</u> <u>No. 1990-2</u>				
Assets:				
Cash and investments	\$ 129,479	\$ 225	\$ (129,704)	\$ -
Assessments receivable	121,000	-	(121,000)	-
Total Assets	<u>\$ 250,479</u>	<u>\$ 225</u>	<u>\$ (250,704)</u>	<u>\$ -</u>
Liabilities:				
Other liabilities	\$ 129,479	\$ -	\$ (129,479)	\$ -
Due to bondholders	121,000	-	(121,000)	-
Total Liabilities	<u>\$ 250,479</u>	<u>\$ -</u>	<u>\$ (250,479)</u>	<u>\$ -</u>
<u>Deposits Fund</u>				
Assets:				
Cash and investments	\$ 769,423	\$ 396,346	\$ (279,249)	\$ 886,520
Total Assets	<u>\$ 769,423</u>	<u>\$ 396,346</u>	<u>\$ (279,249)</u>	<u>\$ 886,520</u>
Liabilities:				
Accounts payable	\$ 2,849	\$ 227,606	\$ (215,686)	\$ 14,769
Deposits payable	766,574	511,299	(406,122)	871,751
Total Liabilities	<u>\$ 769,423</u>	<u>\$ 738,905</u>	<u>\$ (621,808)</u>	<u>\$ 886,520</u>

City of Clayton
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Diablo Estates Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 71,864	\$ 79,310	\$ (67,478)	\$ 83,696
Total Assets	\$ 71,864	\$ 79,310	\$ (67,478)	\$ 83,696
Liabilities:				
Accounts payable	\$ 4,276	\$ 62,487	\$ (66,751)	\$ 12
Other liabilities	67,588	16,096	-	83,684
Total Liabilities	\$ 71,864	\$ 78,583	\$ (66,751)	\$ 83,696
<u>High Street Bridge Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 4,884	\$ 1,867	\$ (1,454)	\$ 5,297
Assessments receivable	20,275	-	(1,454)	18,821
Total Assets	\$ 25,159	\$ 1,867	\$ (2,908)	\$ 24,118
Liabilities:				
Accounts payable	\$ 4,884	\$ 413	\$ -	\$ 5,297
Notes payable	20,275	-	(1,454)	18,821
Total Liabilities	\$ 25,159	\$ 413	\$ (1,454)	\$ 24,118
<u>Lydia Lane Sewer Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 73,274	\$ 18,803	\$ (25,913)	\$ 66,164
Cash with fiscal agent	12,804	-	-	12,804
Assessments receivable	173,325	-	(5,000)	168,325
Total Assets	\$ 259,403	\$ 18,803	\$ (30,913)	\$ 247,293
Liabilities:				
Other liabilities	\$ 86,078	\$ -	\$ (7,110)	\$ 78,968
Due to bondholders	173,325	-	(5,000)	168,325
Total Liabilities	\$ 259,403	\$ -	\$ (12,110)	\$ 247,293
<u>Middle School Community Facilities</u>				
<u>District No. 1990-1</u>				
Assets:				
Cash and investments	\$ 417,351	\$ 411,685	\$ (431,051)	\$ 397,985
Assessments receivable	3,012,000	-	(296,000)	2,716,000
Total Assets	\$ 3,429,351	\$ 411,685	\$ (727,051)	\$ 3,113,985
Liabilities:				
Other liabilities	\$ 417,351	\$ -	\$ (19,366)	\$ 397,985
Due to bondholders	3,012,000	-	(296,000)	2,716,000
Total Liabilities	\$ 3,429,351	\$ -	\$ (315,366)	\$ 3,113,985

City of Clayton
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Oak Street Bridge Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 20,880	\$ 8,758	\$ (4,647)	\$ 24,991
Assessments receivable	15,931	-	(3,991)	11,940
Total Assets	\$ 36,811	\$ 8,758	\$ (8,638)	\$ 36,931
Liabilities:				
Other liabilities	\$ 20,880	\$ 4,111	\$ -	\$ 24,991
Notes payable	15,931	-	(3,991)	11,940
Total Liabilities	\$ 36,811	\$ 4,111	\$ (3,991)	\$ 36,931
<u>Oak Street Sewer Benefit Assessment District</u>				
Assets:				
Cash and investments	\$ 3,787	\$ 13,048	\$ (12,646)	\$ 4,189
Assessments receivable	119,109	-	(10,886)	108,223
Total Assets	\$ 122,896	\$ 13,048	\$ (23,532)	\$ 112,412
Liabilities:				
Other liabilities	\$ 3,787	\$ 402	\$ -	\$ 4,189
Notes payable	119,109	-	(10,886)	108,223
Total Liabilities	\$ 122,896	\$ 402	\$ (10,886)	\$ 112,412
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 2,308,642	\$ 955,374	\$ (960,408)	\$ 2,303,608
Cash with fiscal agent	471,536	394,246	(423,140)	442,642
Assessments receivable	3,461,640	-	(438,331)	3,023,309
Accounts receivable	38,000	58,900	(38,000)	58,900
Investments in bonds	3,012,000	-	(296,000)	2,716,000
Total Assets	\$ 9,291,818	\$ 1,408,520	\$ (2,155,879)	\$ 8,544,459
Liabilities:				
Accounts payable	\$ 12,009	\$ 290,506	\$ (282,437)	\$ 20,078
Other liabilities	2,171,595	48,681	(155,955)	2,064,321
Deposits payable	766,574	511,299	(406,122)	871,751
Notes payable	155,315	-	(16,331)	138,984
Due to bondholders	6,186,325	-	(737,000)	5,449,325
Total Liabilities	\$ 9,291,818	\$ 850,486	\$ (1,597,845)	\$ 8,544,459

STATISTICAL SECTION

This page intentionally left blank

STATISTICAL SECTION

TABLE OF CONTENTS

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

	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	145-152
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	153-160
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	161-165
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	166
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	167-173

City of Clayton
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 11,045,256	\$ 14,813,000	\$ 17,543,027	\$ 19,239,151
Restricted	17,175,110	15,892,648	20,161,280	19,459,887
Unrestricted	4,402,045	6,572,695	3,839,703	2,458,228
Total governmental activities net position	<u>32,622,411</u>	<u>37,278,343</u>	<u>41,544,010</u>	<u>41,157,266</u>
Business-type activities:				
Net investment in capital assets	1,356,696	1,330,098	1,299,348	1,431,018
Restricted	-	-	-	-
Unrestricted	(1,245)	(750)	(38,773)	(14,778)
Total business-type activities net position	<u>1,355,451</u>	<u>1,329,348</u>	<u>1,260,575</u>	<u>1,416,240</u>
Primary government:				
Net investment in capital assets	12,401,952	16,143,098	18,842,375	20,670,169
Restricted	17,175,110	15,892,648	20,161,280	19,459,887
Unrestricted	4,400,800	6,571,945	3,800,930	2,443,450
Total primary government net position	<u>\$ 33,977,862</u>	<u>\$ 38,607,691</u>	<u>\$ 42,804,585</u>	<u>\$ 42,573,506</u>

Source: City of Clayton Finance Department.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
\$ 20,953,220	\$ 28,330,852	\$ 29,988,389	\$ 29,344,437	\$ 28,653,515	\$ 28,929,140
6,240,370	6,775,688	5,071,942	3,470,831	2,024,193	7,783,815
14,935,201	5,034,855	4,829,960	6,306,416	4,781,508	7,028,670
<u>42,128,791</u>	<u>40,141,395</u>	<u>39,890,291</u>	<u>39,121,684</u>	<u>35,459,216</u>	<u>43,741,625</u>
1,394,950	1,358,883	1,322,815	1,286,748	1,250,681	1,221,999
-	-	-	-	-	-
<u>(111,680)</u>	<u>(121,193)</u>	<u>(130,382)</u>	<u>(49,038)</u>	<u>(44,572)</u>	<u>(56,305)</u>
<u>1,283,270</u>	<u>1,237,690</u>	<u>1,192,433</u>	<u>1,237,710</u>	<u>1,206,109</u>	<u>1,165,694</u>
22,348,170	29,689,735	31,311,204	30,631,185	29,904,196	30,151,139
6,240,370	6,775,688	5,071,942	3,470,831	2,024,193	7,783,815
14,823,521	4,913,662	4,699,578	6,257,378	4,736,936	6,972,365
<u>\$ 43,412,061</u>	<u>\$ 41,379,085</u>	<u>\$ 41,082,724</u>	<u>\$ 40,359,394</u>	<u>\$ 36,665,325</u>	<u>\$ 44,907,319</u>

**City of Clayton
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 1,545,238	\$ 1,401,451	\$ 1,030,448	\$ 3,644,725
Public works	2,088,413	1,231,018	992,167	1,179,815
Parks and recreation services	621,142	739,462	603,003	471,758
Community and economic development	982,183	1,610,346	2,382,781	3,845,209
Public safety	1,845,359	1,822,689	1,790,980	1,864,978
Interest and fiscal charges	750,331	796,518	588,253	591,236
Total governmental activities expenses	<u>7,832,666</u>	<u>7,601,484</u>	<u>7,387,632</u>	<u>11,597,721</u>
Business-type activities:				
Community gym	36,501	46,789	41,899	51,384
Endeavor Hall	54,492	46,124	56,361	61,453
Total business-type activities expenses	<u>90,993</u>	<u>92,913</u>	<u>98,260</u>	<u>112,837</u>
Total primary government expenses	<u>\$ 7,923,659</u>	<u>\$ 7,694,397</u>	<u>\$ 7,485,892</u>	<u>\$ 11,710,558</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 297,047	\$ 314,669	\$ 223,965	\$ 235,392
Public works	-	-	-	-
Parks and recreation services	144,151	138,096	141,654	155,298
Community and economic development	141,131	286,744	61,375	106,246
Public safety	40,980	34,580	46,119	31,911
Operating grants and contributions	-	116,666	121,203	129,746
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	<u>623,309</u>	<u>890,755</u>	<u>594,316</u>	<u>658,593</u>
Business-type activities:				
Charges for services:				
Community gym	36,445	46,789	5,385	87,848
Endeavor hall	20,835	20,326	20,144	14,951
Operating grants and contributions	-	-	-	167,738
Total business-type program revenues	<u>57,280</u>	<u>67,115</u>	<u>25,529</u>	<u>270,537</u>
Net revenues (expenses)				
Governmental activities	\$ (7,209,357)	\$ (6,710,729)	\$ (6,793,316)	\$ (10,939,128)
Business-type activities	(33,713)	(25,798)	(72,731)	157,700
Total primary government net expense	<u>\$ (7,243,070)</u>	<u>\$ (6,736,527)</u>	<u>\$ (6,866,047)</u>	<u>\$ (10,781,428)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property taxes	\$ 6,924,249	\$ 7,059,095	\$ 7,304,719	\$ 6,856,430
Special parcel taxes	823,478	1,229,198	1,262,005	1,279,801
Sales and use taxes	329,520	366,155	301,213	327,514
Other taxes	1,494,347	1,128,828	1,095,625	774,794
Investment income	712,459	719,543	653,769	490,207
Miscellaneous	580,698	776,891	440,076	847,460
Gain/(loss) on sale of assets	452,128	167,846	6,600	7,000
Transfers	-	-	(5,024)	-
Total governmental activities	<u>11,316,879</u>	<u>11,447,556</u>	<u>11,058,983</u>	<u>10,583,206</u>
Business type activities:				
Investment income/(loss)	(373)	(305)	(1,066)	(2,035)
Miscellaneous	-	-	-	-
Transfers	-	-	5,024	-
Total business-type activities	<u>(373)</u>	<u>(305)</u>	<u>3,958</u>	<u>(2,035)</u>
Extraordinary and Special Items				
Governmental activities:				
Extraordinary gain/(loss)	-	-	-	-
Business-type activities:				
Special item gain/(loss)	-	-	-	-
Total primary government changes in net position				
Governmental activities	4,107,522	4,736,827	4,265,667	(355,922)
Business-type activities	(34,086)	(26,103)	(68,773)	155,665
Total primary government	<u>\$ 4,073,436</u>	<u>\$ 4,710,724</u>	<u>\$ 4,196,894</u>	<u>\$ (200,257)</u>

Source: City of Clayton Finance Department.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,583,367	\$ 1,201,323	\$ 1,186,567	\$ 1,249,238	\$ 1,119,567	\$ 1,051,461
2,834,516	1,104,503	1,346,320	2,118,015	2,139,918	1,975,653
884,095	1,066,617	1,100,584	352,498	339,894	583,120
2,476,713	530,687	446,259	410,413	405,941	362,248
1,841,028	1,972,460	1,925,266	2,016,145	2,006,052	2,060,621
414,113	129,047	-	-	-	-
10,033,832	6,004,637	6,004,996	6,146,309	6,011,372	6,033,103
93,398	18	-	-	-	-
66,110	61,497	60,117	65,351	66,606	67,668
159,508	61,515	60,117	65,351	66,606	67,668
\$ 10,193,340	\$ 6,066,152	\$ 6,065,113	\$ 6,211,660	\$ 6,077,978	\$ 6,100,771
\$ 233,675	\$ 421,866	\$ 352,124	\$ 567,663	\$ 643,070	\$ 355,391
-	-	176,163	158,500	165,789	195,737
141,891	183,031	-	608	14,337	73,501
299,103	319,268	137,795	54,013	25,990	100,612
24,064	64,364	36,899	14,631	13,862	49,326
494,148	884,026	587,384	683,492	157,397	204,079
-	-	-	-	-	22,200
1,192,881	1,872,555	1,290,365	1,478,907	1,020,445	1,000,846
2,511	-	-	-	-	-
23,691	16,294	14,860	19,545	25,818	27,253
26,202	16,294	14,860	19,545	25,818	27,253
\$ (8,840,951)	\$ (4,132,082)	\$ (4,714,631)	\$ (4,667,402)	\$ (4,990,927)	\$ (5,032,257)
(133,306)	(45,221)	(45,257)	(45,806)	(40,788)	(40,415)
\$ (8,974,257)	\$ (4,177,303)	\$ (4,759,888)	\$ (4,713,208)	\$ (5,031,715)	\$ (5,072,672)
\$ 6,698,149	\$ 4,488,417	\$ 1,691,803	\$ 1,862,734	\$ 2,302,278	\$ 2,256,780
1,187,642	1,220,460	1,232,280	1,260,823	1,407,850	1,311,458
303,880	307,887	353,525	370,330	397,544	372,705
803,498	792,726	802,651	865,752	1,339,537	1,442,710
335,205	242,539	80,622	64,319	82,909	295,904
477,402	1,249,897	139,161	175,082	91,230	54,140
6,700	(116,339)	(7,817)	-	624	792
-	250,000	250,456	(688,709)	88,793	-
9,812,476	8,435,587	4,542,681	3,910,331	5,710,765	5,734,489
276	(359)	-	393	175	-
60	-	-	-	4,316	-
-	-	-	-	(88,793)	-
336	(359)	-	393	(84,302)	-
-	(6,100,352)	-	-	(200,000)	(230,786)
-	-	-	-	93,489	-
971,525	(1,796,847)	(171,950)	(757,071)	519,838	471,446
(132,970)	(45,580)	(45,257)	(45,413)	(31,601)	(40,415)
\$ 838,555	\$ (1,842,427)	\$ (217,207)	\$ (802,484)	\$ 488,237	\$ 431,031

City of Clayton
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
General fund:				
Reserved	\$ 1,028,436	\$ 535,000	\$ 539,443	\$ 535,000
Unreserved	3,378,868	4,411,527	4,566,713	4,574,933
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>4,407,304</u>	<u>4,946,527</u>	<u>5,106,156</u>	<u>5,109,933</u>
All other governmental funds:				
Reserved	11,644,379	11,848,038	12,383,905	11,908,782
Unreserved	1,216,609	5,628,136	1,030,791	1,013,860
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total other governmental funds	<u>12,860,988</u>	<u>17,476,174</u>	<u>13,414,696</u>	<u>12,922,642</u>
Total governmental funds	<u>\$ 17,268,292</u>	<u>\$ 22,422,701</u>	<u>\$ 18,520,852</u>	<u>\$ 18,032,575</u>

Source: City of Clayton Finance Department.

* The City implemented GASB 54 for the fiscal year ended June 30, 2011.

** The City of Clayton Redevelopment Agency was dissolved in the fiscal year ended June 30, 2012 in accordance with California state law (ABx1 26).

Fiscal Year					
2011*	2012**	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	1,242,346	1,029,377	308,064
-	-	-	-	-	-
-	442,546	-	-	-	-
46,704	-	182,671	34,542	-	278,853
5,229,784	4,913,879	5,199,914	3,871,849	4,509,255	5,031,142
<u>5,276,488</u>	<u>5,356,425</u>	<u>5,382,585</u>	<u>5,148,737</u>	<u>5,538,632</u>	<u>5,618,059</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,633,951
-	-	-	1,399,064	1,303,081	2,150,476
-	6,333,142	5,071,942	829,421	721,112	667,134
12,489,782	-	-	2,354,314	3,309,135	2,684,533
-	-	(425,380)	(2,550)	(2,550)	(2,550)
<u>12,489,782</u>	<u>6,333,142</u>	<u>4,646,562</u>	<u>4,580,249</u>	<u>5,330,778</u>	<u>9,133,544</u>
<u>\$ 17,766,270</u>	<u>\$ 11,689,567</u>	<u>\$ 10,029,147</u>	<u>\$ 9,728,986</u>	<u>\$ 10,869,410</u>	<u>\$ 14,751,603</u>

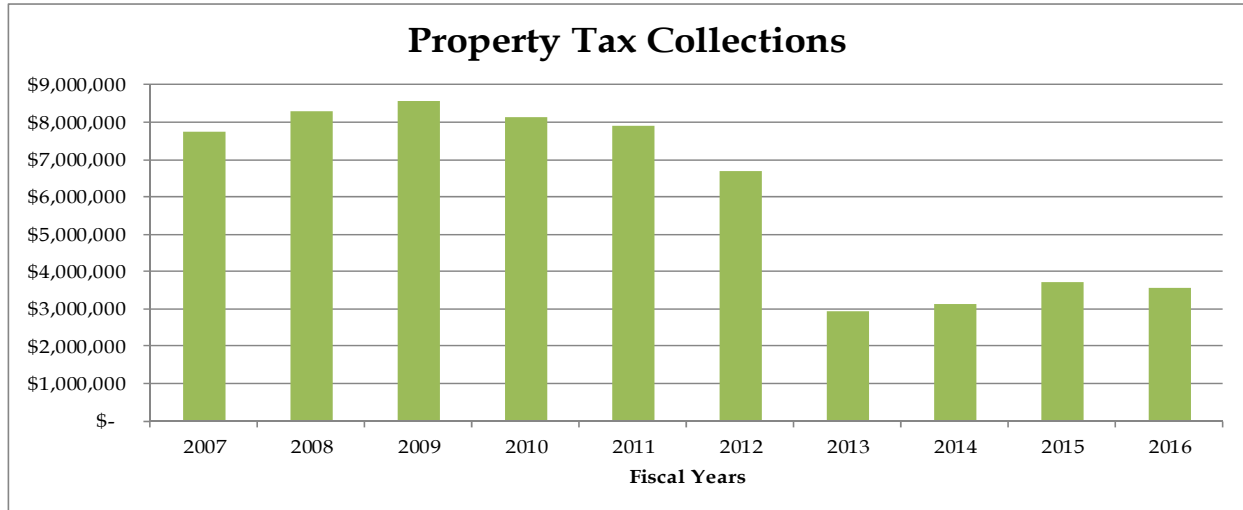
City of Clayton
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Property taxes	\$ 7,012,551	\$ 7,041,781	\$ 7,344,188	\$ 6,841,490
Program income	84,917	81,890	91,148	69,752
Special parcel taxes and assessments	823,478	1,229,198	1,262,005	1,279,801
Sales and use taxes	241,218	301,579	261,744	272,702
Permits, licenses and fees	348,490	331,627	291,773	280,395
Fines, forfeitures and penalties	106,067	120,788	67,681	63,788
Intergovernmental	989,289	1,247,722	978,027	1,167,750
Motor vehicle in-lieu fees	73,086	49,486	37,346	32,234
Other in-lieu fees	216,206	220,530	224,940	137,504
Franchise fees	358,350	382,679	365,802	373,479
Service charges	123,278	277,312	76,326	121,734
Use of money and property	712,459	719,543	653,769	490,207
Other revenue	49,984	166,330	94,722	110,963
Total revenues	<u>11,139,373</u>	<u>12,170,465</u>	<u>11,749,471</u>	<u>11,241,799</u>
Expenditures				
Current				
General government	984,874	967,105	1,018,047	1,043,145
Public works	2,785,214	1,859,885	1,251,614	1,379,517
Parks and recreation services	626,750	118,172	359,235	251,104
Community and economic development	1,579,296	1,579,471	1,888,484	3,845,209
Public safety	1,681,905	1,815,673	1,699,638	1,817,147
Capital outlay	-	2,955,592	2,197,986	766,252
Debt service				
Principal	1,200,000	1,670,000	1,660,000	2,045,000
Interest and fiscal charges	785,561	711,890	624,765	582,702
Total expenditures	<u>9,643,600</u>	<u>11,677,788</u>	<u>10,699,769</u>	<u>11,730,076</u>
Revenues over (under) expenditures	<u>1,495,773</u>	<u>492,677</u>	<u>1,049,702</u>	<u>(488,277)</u>
Other financing sources (uses)				
Gain (loss) from sale of property	800,815	167,846	-	-
Transfers in	3,723,204	3,791,927	4,390,863	5,267,262
Transfers out	<u>(3,723,204)</u>	<u>(3,791,927)</u>	<u>(4,395,887)</u>	<u>(5,267,262)</u>
Total other financing sources (uses)	<u>800,815</u>	<u>167,846</u>	<u>(5,024)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>2,296,588</u>	<u>660,523</u>	<u>1,044,678</u>	<u>(488,277)</u>
Special and extraordinary items				
Special item gain (loss)	-	-	-	-
Extraordinary gain (loss)	-	-	-	-
Total special and extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>\$ 2,296,588</u>	<u>\$ 660,523</u>	<u>\$ 1,044,678</u>	<u>\$ (488,277)</u>
Ratio of Total Debt Service Expenditures to Noncapital Expenditures	0.31	0.37	0.34	0.30

Source: City of Clayton Finance Department

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 6,737,779	\$ 4,488,417	\$ 1,691,803	\$ 1,862,734	\$ 2,302,278	\$ 2,256,780
237,572	72,870	10,546	10,668	10,063	81,400
1,186,092	1,220,460	1,232,280	1,260,823	1,287,748	1,437,156
252,404	307,887	353,525	370,330	397,544	372,705
279,404	534,446	402,661	290,598	306,545	328,204
55,919	114,313	93,328	78,173	72,635	84,270
1,143,631	1,986,471	836,041	967,729	1,066,757	964,539
50,312	11,074	-	4,703	4,590	4,554
140,255	143,060	145,921	148,839	151,816	154,852
403,815	454,871	479,765	504,867	501,597	516,607
71,878	131,053	125,387	338,626	366,080	342,308
346,346	241,199	80,579	62,642	81,408	290,966
111,093	27,954	138,528	175,538	91,131	48,517
<u>11,016,500</u>	<u>9,734,075</u>	<u>5,590,364</u>	<u>6,076,270</u>	<u>6,640,192</u>	<u>6,882,858</u>
1,075,709	1,028,719	957,680	1,118,026	1,018,852	1,068,970
1,352,445	1,251,908	1,502,599	1,293,402	1,342,373	1,237,683
228,124	345,345	356,445	352,498	349,862	375,554
2,653,759	530,687	446,259	410,413	410,972	379,162
1,774,365	1,916,002	1,867,432	1,950,034	2,005,607	2,281,621
1,802,315	1,531,977	2,370,825	393,505	260,895	1,275,563
2,195,000	610,000	-	-	-	-
435,005	323,451	-	-	-	-
<u>11,516,722</u>	<u>7,538,089</u>	<u>7,501,240</u>	<u>5,517,878</u>	<u>5,388,561</u>	<u>6,618,553</u>
<u>(500,222)</u>	<u>2,195,986</u>	<u>(1,910,876)</u>	<u>558,392</u>	<u>1,251,631</u>	<u>264,305</u>
(259,502)	-	-	-	-	-
3,742,690	2,038,931	2,221,820	524,187	600,458	1,026,538
<u>(3,742,690)</u>	<u>(1,788,931)</u>	<u>(1,971,364)</u>	<u>(603,341)</u>	<u>(511,665)</u>	<u>(1,177,781)</u>
<u>(259,502)</u>	<u>250,000</u>	<u>250,456</u>	<u>(79,154)</u>	<u>88,793</u>	<u>(151,243)</u>
<u>(759,724)</u>	<u>2,445,986</u>	<u>(1,660,420)</u>	<u>479,238</u>	<u>1,340,424</u>	<u>113,062</u>
-	53,930	-	(90,690)	-	-
-	(8,299,982)	-	-	(200,000)	(230,786)
-	(8,246,052)	-	(90,690)	(200,000)	(230,786)
<u>\$ (759,724)</u>	<u>\$ (5,800,066)</u>	<u>\$ (1,660,420)</u>	<u>\$ 388,548</u>	<u>\$ 1,140,424</u>	<u>\$ (117,724)</u>
0.30	0.30	0.00	0.00	0.00	0.00

**City of Clayton
Property Tax Levies and Collections
Last Ten Fiscal Years**



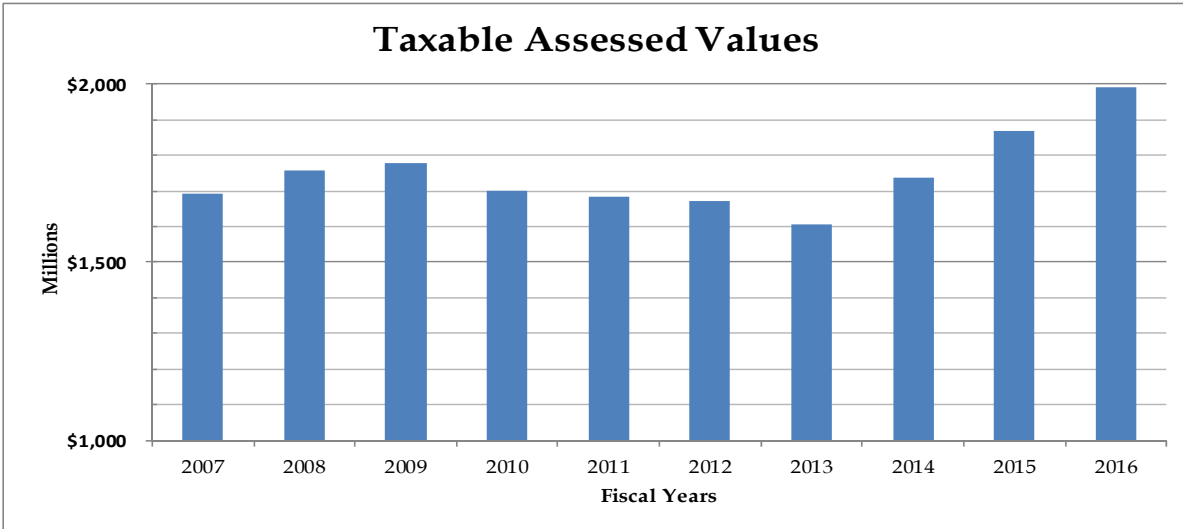
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year ¹	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	
2007	\$ 7,747,727	\$ 7,747,727	100%	\$ 7,747,727	100%	
2008	8,288,293	8,288,293	100%	8,288,293	100%	
2009	8,566,724	8,566,724	100%	8,566,724	100%	
2010	8,136,231	8,136,231	100%	8,136,231	100%	
2011	7,885,791	7,885,791	100%	7,885,791	100%	
2012	6,698,149	6,698,149	100%	6,698,149	100%	
2013	2,924,083	2,924,083	100%	2,924,083	100%	
2014	3,123,557	3,123,557	100%	3,123,557	100%	
2015	3,710,128	3,710,128	100%	3,710,128	100%	
2016	3,568,238	3,568,238	100%	3,568,238	100%	

Source: City of Clayton Finance Department

¹ Property tax levies above include secured and unsecured general ad valorem property taxes, special taxes and assessments on property tax parcels, and property taxes pertaining to the Redevelopment Property Tax Trust Fund.

² The City is enrolled in the "Teeter" Plan, where the County remits the entire amount levied and handles all delinquencies, retaining the interest and penalties.

**City of Clayton
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**



Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value ¹	Total Direct Tax Rate ²
2007	\$ 1,695,757,645	\$ 12,995,660	\$ (17,520,449)	\$ 1,691,232,856	6.63%
2008	1,761,363,867	13,323,228	(18,126,312)	1,756,560,783	6.63%
2009	1,780,810,280	14,218,796	(17,225,439)	1,777,803,637	6.63%
2010	1,704,371,809	14,588,786	(18,528,868)	1,700,431,727	6.63%
2011	1,687,208,244	14,380,321	(17,527,630)	1,684,060,935	6.63%
2012	1,676,316,147	13,194,496	(16,982,695)	1,672,527,948	6.63%
2013	1,606,989,943	12,189,840	(14,643,598)	1,604,536,185	6.63%
2014	1,744,417,127	12,046,811	(19,675,848)	1,736,788,090	6.63%
2015	1,876,194,760	10,508,680	(20,326,859)	1,866,376,581	6.63%
2016	1,985,421,872	24,343,422	(19,474,702)	1,990,290,592	6.63%

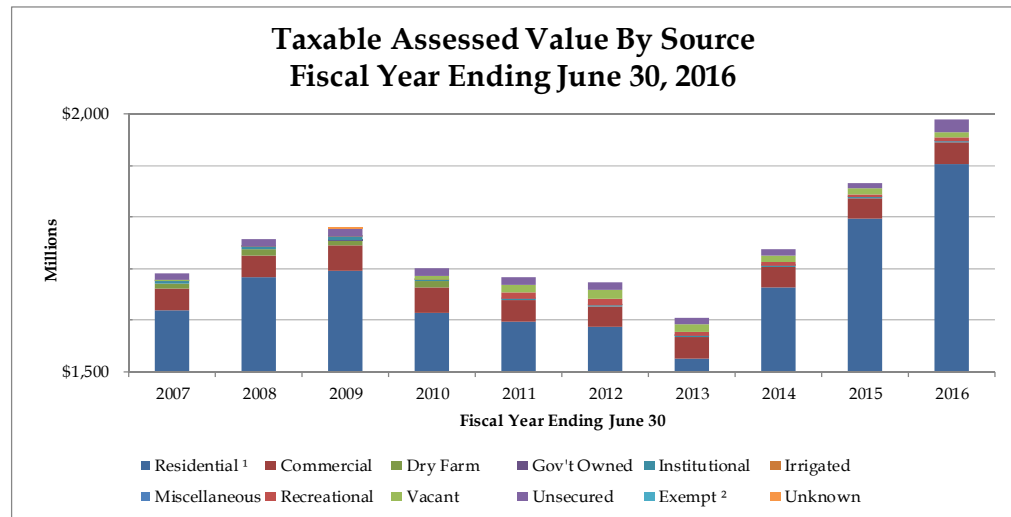
Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

¹ In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1.0% based up on the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to the maximum increase of 2.0%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

² City's share of 1.0% basic levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. Tax Rate Area 13-015 is represented here for this report.

City of Clayton Taxable Assessed Value By Source Last Ten Fiscal Years

Category	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Residential ¹	\$ 1,620,200,764	\$ 1,683,144,341	\$ 1,695,716,043	\$ 1,614,703,437
Commercial	42,125,338	43,500,436	48,297,093	50,144,750
Dry Farm	9,563,364	10,399,627	10,662,893	10,795,293
Gov't Owned			260,000	
Institutional	5,200,385	5,053,547	6,616,231	3,586,731
Irrigated				
Miscellaneous	107,877	110,034	112,233	114,477
Recreational	2,247	2,291	2,336	2,382
Vacant	1,037,221	1,036,934	1,919,022	6,502,767
Unsecured	13,123,142	13,313,573	14,127,815	14,600,992
Exempt ²	(22,622,458)	(22,946,330)	(23,326,090)	(24,848,773)
Unknown	-	-	14,353	-
Totals	\$ 1,691,360,338	\$ 1,756,560,783	\$ 1,777,728,019	\$ 1,700,450,829
Total Direct Rate	0.34027	0.34470	0.35383	0.35189



Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

¹ In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1.0% based up on the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to the maximum increase of 2.0%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

² Exempt values are not included in total.

Fiscal Year Ending June 30						
2011	2012	2013	2014	2015	2016	
\$ 1,597,474,855	\$ 1,587,781,869	\$ 1,525,145,282	\$ 1,664,638,727	\$ 1,797,596,765	\$ 1,904,368,929	
40,404,166	39,281,102	42,498,296	39,271,189	38,942,508	41,544,210	
2,379,553	2,412,183	2,460,428	2,509,634	2,521,025	2,571,392	
	124,224	126,707	129,240			
188,471	477,430	764,183	197,555	198,449	202,412	
12,208,926	12,300,848	5,364,139	5,364,585	5,364,688	5,365,145	
17,024,643	17,047,319	16,082,455	12,630,349	11,329,374	11,969,774	
14,364,972	13,098,203	12,107,626	12,046,811	10,423,772	24,268,730	
(2,431,150)	(24,066,321)	(24,547,599)	(25,038,500)	(26,156,667)	(26,679,230)	
-	-	-	-	-	-	
\$ 1,684,045,586	\$ 1,672,523,178	\$ 1,604,549,116	\$ 1,736,788,090	\$ 1,866,376,581	\$ 1,990,290,592	
0.35104	0.34460	0.34145	0.06992	0.06587	0.06627	

**City of Clayton
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (Rate per \$100 of Assessed Value)**

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
City Direct Rates:				
City of Clayton General Fund ¹	0.06628	0.06628	0.06628	0.06628
Clayton Light Maintenance District No. 1 ²	0.01039	0.01039	0.01039	0.01039
Direct and Overlapping Rates:				
Basic Levy ³	1.00000	1.00000	1.00000	1.00000
Bay Area Rapid Transit (BART) Bond	0.00500	0.00760	0.00900	0.00570
Contra Costa Community College Bond	0.00430	0.01080	0.00660	0.01260
Contra Costa Water Land Levy	0.00430	0.00390	0.00410	0.00480
East Bay Regional Park Bond	0.00850	0.00800	0.01000	0.01080
Mt. Diablo School Bond	0.04460	0.04240	0.04550	0.04930
Total Direct and Overlapping Rates	1.06670	1.07270	1.07520	1.08320
City's Share of 1% Levy Per Prop 13 ³	0.06628	0.06628	0.06628	0.06628
Redevelopment Rate ⁴	1.01280	1.01190	1.01410	1.01560
Total Direct Rate ⁵	0.34027	0.34470	0.35383	0.35189

Source: HdL, Coren & Cone, Contra Costa County Assessor 2006-07 to 2015-16 tax rate table

¹ City's share of 1.0% basic levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. Tax Rate Area 13-015 is represented here for this report.

² City's share of 1.0% basic levy is based on the City's share of the Light Maintenance District No. 1 tax rate area with the largest net taxable value within the City. Tax Rate Area 13-002 is represented here for this

³ In 1978, California voters passed Proposition 13 which caps the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of voter approved bonds from various agencies.

⁴ Redevelopment rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012-13 and years thereafter.

⁵ Total direct rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013-14 the total direct rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012-13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
0.06628	0.06628	0.06628	0.06628	0.06628	0.06628
0.01039	0.01039	0.01039	0.01039	0.01039	0.01039
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00310	0.00410	0.00430	0.00750	0.00450	0.00260
0.01330	0.01440	0.00870	0.01330	0.02520	0.02200
0.00490	0.00510	0.00450	0.00420	0.00370	0.00350
0.00840	0.00710	0.00510	0.00780	0.00850	0.00670
0.06000	0.06120	0.08710	0.07400	0.08530	0.08120
<u>1.08970</u>	<u>1.09190</u>	<u>1.10970</u>	<u>1.10680</u>	<u>1.12720</u>	<u>1.11600</u>
0.06628	0.06628	0.06628	0.06628	0.06628	0.06628
1.01330	1.01220				
0.35104	0.34460	0.34145	0.06992	0.06587	0.06627

**City of Clayton
Principal Property Tax Payers
Current Year and Nine Years Ago**

		Fiscal Year Ending June 30, 2007		
		Secured		
Property Owner	Primary Use, Primary Agency	Parcels	Value	% of Net AV
1) NGP Realty Sub	Commercial, Successor Agency	17	\$ 11,515,173	0.69%
2) Safeway Stores, Inc ¹	Commercial, Successor Agency	1	10,888,834	0.65%
3) Clayton Station Shopping Center ¹	Commercial, Successor Agency	4	8,654,837	0.52%
4) Albert D. Jr. & Sandra Seeno Trust	Dry Farm, Clayton General Fund	1	6,649,339	0.40%
5) Comcast	Unsecured, Successor Agency	-	-	-
6) John F. Lemke	Institutional, Successor Agency	3	3,383,291	0.20%
7) Matthew J. Mazzei Trust	Residential, Clayton General Fund	4	2,953,083	0.18%
8) Village Oaks, LLC	Commercial, Successor Agency	2	2,480,938	0.15%
9) Ocean West Nevada Corporation	Commercial, Successor Agency	1	2,147,677	0.13%
10) Jaime & Gloria Gonzalez	Residential, Clayton General Fund	2	2,032,414	0.12%
Top Ten Total		35	\$ 50,705,586	3.04%
City Total		\$ 1,678,237,196		

		Fiscal Year Ending June 30, 2016		
		Secured		
Property Owner	Primary Use, Primary Agency	Parcels	Value	% of Net AV
1) Comcast	Unsecured, Clayton General Fund	-	\$ -	0.00%
2) Safeway Stores, Inc ¹	Commercial, Successor Agency	1	10,860,348	0.55%
3) Clayton Station Shopping Center ¹	Commercial, Successor Agency	4	9,841,116	0.50%
4) Albert D. Jr. & Sandra Seeno Trust	Vacant, Clayton General Fund	1	7,900,000	0.40%
5) NGP Realty Sub, LP	Recreational, Successor Agency	18	5,364,561	0.27%
6) Endashian, LLC	Commercial, Successor Agency	1	3,482,326	0.18%
7) Village Oaks, LLC	Commercial, Successor Agency	2	2,872,739	0.15%
8) David & Heather Sorensen	Residential, Clayton General Fund	3	2,609,306	0.13%
9) Ocean West Nevada Corporation	Commercial, Successor Agency	1	2,442,053	0.12%
10) William P. Jordan Trust	Residential, Successor Agency	4	2,429,734	0.12%
Top Ten Total		35	\$ 47,802,183	2.42%
City Total		\$ 1,966,021,862		

Source: HdL, Coren & Cone, Contra Costa County Assessor 2006-07 & 2015-16 Combined Tax Rolls & the SBE Non-Unitary Tax Roll

¹ Pending Appeals on Parcels

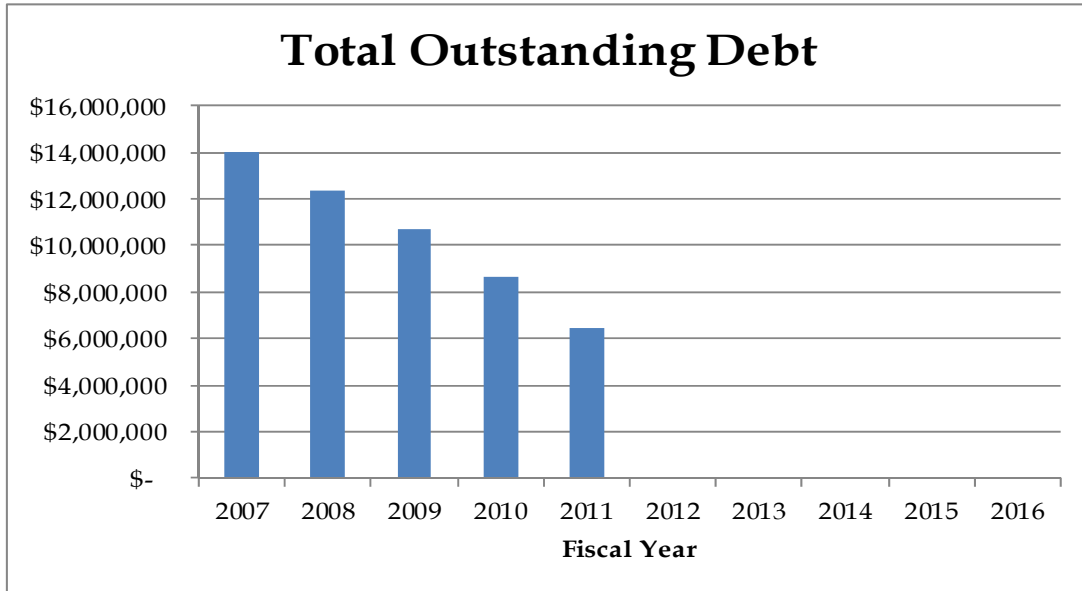
Fiscal Year Ending June 30, 2007

Parcels	Unsecured		Combined	
	Value	% of Net AV	Value	% of Net AV
-	\$ -	-	\$ 11,515,173	0.68%
-	-	-	10,888,834	0.64%
-	-	-	8,654,837	0.51%
-	-	-	6,649,339	0.39%
4	5,097,431	38.84%	5,097,431	0.30%
-	-	-	3,383,291	0.20%
-	-	-	2,953,083	0.17%
-	-	-	2,480,938	0.15%
-	-	-	2,147,677	0.13%
-	-	-	2,032,414	0.12%
4	\$ 5,097,431	38.84%	\$ 55,803,017	3.3%
	<u>\$ 13,123,142</u>		<u>\$ 1,691,360,338</u>	

Fiscal Year Ending June 30, 2016

Parcels	Unsecured		Combined	
	Value	% of Net AV	Value	% of Net AV
6	\$ 14,148,515	58.30%	\$ 14,148,515	0.71%
-	-	-	10,860,348	0.55%
-	-	-	9,841,116	0.49%
-	-	-	7,900,000	0.40%
-	-	-	5,364,561	0.27%
-	-	-	3,482,326	0.17%
-	-	-	2,872,739	0.14%
1	28,670	0.12%	2,637,976	0.13%
-	-	-	2,442,053	0.12%
-	-	-	2,429,734	0.12%
7	\$ 14,177,185	58.42%	\$ 61,979,368	3.10%
	<u>\$ 24,268,730</u>		<u>\$ 1,990,290,592</u>	

**City of Clayton
Ratios of Debt Outstanding
Last Ten Fiscal Years**



Fiscal Year Ended June 30	Tax Allocation Bonds¹	Percentage of Total Assessed Value	Percent of Personal Income	Per Capita
2007	\$ 14,015,000	0.829%	2.517%	\$ 1,299
2008	12,345,000	0.703%	2.127%	1,151
2009	10,685,000	0.601%	1.813%	991
2010	8,640,000	0.508%	1.503%	795
2011	6,445,000	0.383%	1.113%	588
2012	-	0.000%	0.000%	-
2013	-	0.000%	0.000%	-
2014	-	0.000%	0.000%	-
2015	-	0.000%	0.000%	-
2016	-	0.000%	0.000%	-

Source: City of Clayton Finance Department.

¹ The balance of Tax Allocation Bonds was transferred to the redevelopment Successor Agency as of February 1, 2012.

City of Clayton
Computation of Direct and Overlapping Debt
Last Ten Fiscal Years

Overlapping Debt	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
100300 Pension Obligation Bond	\$ 212,765,000	1.154	\$ 2,454,779
100300 CCC PFA 1998A Lease Revenue Bonds	12,670,000	1.154	146,180
100300 CCC PFA 1999A Lease Revenue Bonds	9,660,000	1.154	111,452
100300 CCC PFA 2002A Lease Revenue Bonds	6,800,000	1.154	78,455
100300 CCC PFA 2002B Lease Revenue Bonds	4,125,000	1.154	47,592
100300 CCC PFA 2003A Lease Revenue Bonds	5,860,000	1.154	67,610
100300 CCC PFA 2007A Lease Revenue Bonds	121,185,000	1.154	1,398,174
100300 CCC PFA 2007B Lease Revenue Bonds	17,730,000	1.154	204,560
100300 CCC PFA 2009A Lease Revenue Bonds	15,379,790	1.154	177,445
100300 CCC PFA 2010A-1 Lease Revenue Bonds	4,080,000	1.154	47,073
100300 CCC PFA 2010A-2 Lease Revenue Bonds	13,130,000	1.154	151,488
100300 CCC PFA 2010A-3 Lease Revenue Bonds	20,700,000	1.154	238,827
100300 CCC PFA 2010B Lease Revenue Bonds	12,320,000	1.154	142,142
100300 CCC PFA 2012 Lease Revenue Bonds	10,687,930	1.154	123,312
100300 CCC PFA 2015A Lease Revenue Bonds	18,500,000	1.154	213,444
100300 CCC PFA 2015B Lease Revenue Bonds	47,610,000	1.154	549,301
202000 Contra Costa Fire	84,695,000	2.510	2,125,719
400900 BART	172,046,226	1.154	1,984,986
402700 East Bay Regional Park Bond	65,804,219	1.154	759,217
759500 Mt Diablo 2002 Bond	325,125,000	5.606	18,225,694
759600 Mt Diablo 2010 Bond	290,742,785	5.606	16,298,313
792100 Contra Costa Community College 2002 Bond	180,970,000	1.158	2,095,930
792200 Contra Costa Community College 2006 Bond	296,270,000	1.158	3,431,294
792300 Contra Costa Community College 2014 Bond	101,535,000	1.158	1,175,942
Total Overlapping Debt			\$ 52,248,929

2015-16 Assessed Valuation: \$1,365,567,777 after deducting \$624,722,815 incremental value.

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	3.83%
	Total Debt	3.83%

Source: HdL, Coren & Cone, Contra Costa County Assessor & Auditor combined 2015-16 lien date tax rolls.

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

Overlapping governments are those that coincide at least in part, with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

**City of Clayton
Legal Debt Margin
Last Ten Fiscal Years**

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Assessed valuation	\$ 1,691,232,856	\$ 1,756,560,783	\$ 1,777,803,637	\$ 1,700,431,727
Add back exempted real property	17,520,449	18,126,312	17,225,439	18,528,868
Total assessed valuation	\$ 1,708,753,305	\$ 1,774,687,095	\$ 1,795,029,076	\$ 1,718,960,595
Debt limit percentage ¹	3.75%	3.75%	3.75%	3.75%
Debt limit	\$ 64,078,249	\$ 66,550,766	\$ 67,313,590	\$ 64,461,022
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -
Legal Debt margin	\$ 64,078,249	\$ 66,550,766	\$ 67,313,590	\$ 64,461,022
Total debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Source: City of Clayton Finance Department.

¹ The government code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
\$ 1,684,060,935	\$ 1,672,527,948	\$ 1,604,536,185	\$ 1,736,788,090	\$ 1,866,376,581	\$ 1,990,290,592
17,527,630	16,982,695	14,643,598	19,675,848	20,326,859	19,474,702
<u>\$ 1,701,588,565</u>	<u>\$ 1,689,510,643</u>	<u>\$ 1,619,179,783</u>	<u>\$ 1,756,463,938</u>	<u>\$ 1,886,703,440</u>	<u>\$ 2,009,765,294</u>
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
\$ 63,809,571	\$ 63,356,649	\$ 60,719,242	\$ 65,867,398	\$ 70,751,379	\$ 75,366,199
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 63,809,571</u>	<u>\$ 63,356,649</u>	<u>\$ 60,719,242</u>	<u>\$ 65,867,398</u>	<u>\$ 70,751,379</u>	<u>\$ 75,366,199</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

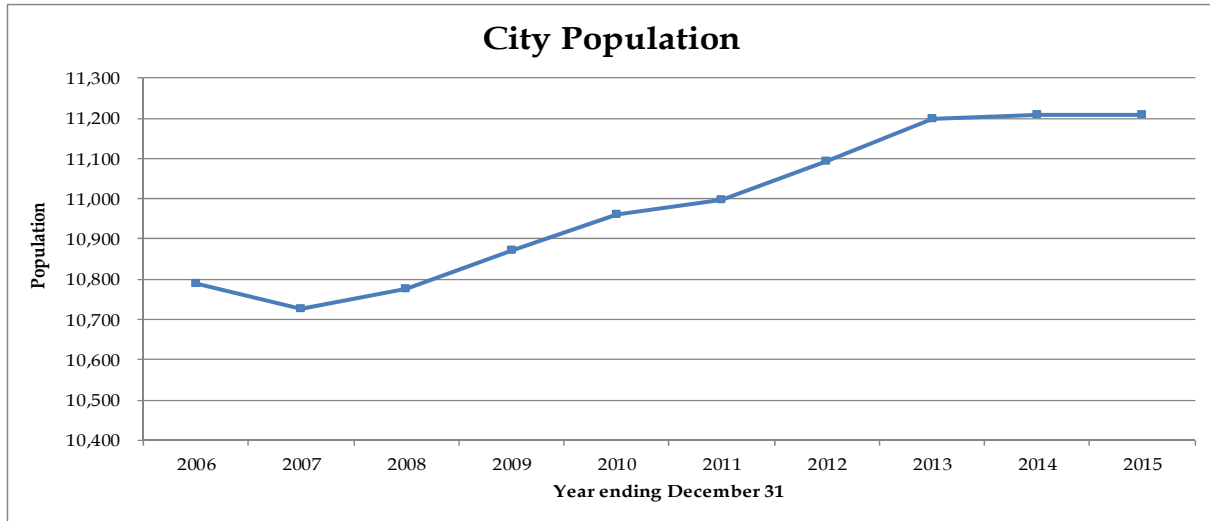
**City of Clayton
Bonded Debt Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Allocation Bonds				Coverage Ratio
	Debt Service ¹				
	Tax Increment	Principal	Interest		
2007	5,296,480	\$ 1,200,000	\$ 785,561	2.67	
2008	5,412,042	1,670,000	711,890	2.27	
2009	5,725,617	1,660,000	624,765	2.51	
2010	5,308,886	2,045,000	582,702	2.02	
2011	5,238,304	2,195,000	435,005	1.99	
2012	5,064,047	610,000	323,451	5.43	
2013	-	-	-	-	
2014	-	-	-	-	
2015	-	-	-	-	
2016	-	-	-	-	

Source: City of Clayton Finance Department.

¹ The balance of the tax allocation bonds was transferred to the Successor Agency as of February 1, 2012. Principal and interest payments are recorded through January 31, 2012.

**City of Clayton
Demographic and Economic Statistics
Last Ten Fiscal Years**



Calendar Year	City Population ¹	Personal Income (in Thousands) ²	Per Capita Personal Income	Unemployment Rate ³	Contra Costa County Population ¹	City Population % of County
2006	10,788	556,818	51,615	1.0%	1,029,377	1.05%
2007	10,726	580,395	54,111	1.1%	1,042,341	1.03%
2008	10,777	589,374	54,688	1.5%	1,051,674	1.02%
2009	10,873	574,963	52,880	2.5%	1,060,435	1.03%
2010	10,962	579,254	52,842	2.8%	1,073,055	1.02%
2011	10,996	577,972	52,562	2.5%	1,056,064	1.04%
2012	11,093	562,914	50,745	1.7%	1,065,117	1.04%
2013	11,200	567,885	50,704	1.4%	1,074,702	1.04%
2014	11,209	581,063	51,839	5.4%	1,087,008	1.03%
2015	11,209	620,092	55,320	4.4%	1,102,871	1.02%

¹ Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

² Source: Economic and Statistics Research Bureau of the State of California Franchise Tax Board. Reporting information for Franchise Tax Board's "process year" made available during each fiscal year.

³ Source: Labor Market Information Division of the State of California Employment Development Department. Using non-seasonal adjusted annual unemployment rate of sub-county place (Clayton, CA) for calendar year ending in each fiscal year.

* Comparable historical information for these years not available due to new estimation methodology introduced in 2015 by the California Employment Development Department. Information only available from 2010 on using new estimation methodology and updated 2010 census information.

City of Clayton
Full-Time Equivalent City Employees by Function
Last Ten Fiscal Years

Function:	Fiscal Year Ending June 30			
	2007	2008	2009	2010
General Government:				
Management Services	2.00	2.00	2.00	2.00
Finance	2.30	2.30	2.30	2.30
City Clerk/Human Resources	1.00	1.00	1.00	1.00
	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>
Public Safety:				
Sworn Officers	11.00	11.00	11.00	11.00
Non-Sworn/ Administration	2.00	2.00	2.00	2.00
	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>
Public Works¹	3.50	3.60	3.50	3.60
Parks & Recreation¹	1.50	1.40	1.50	1.40
Community & Economic Development:				
Planning Services	2.00	2.00	2.00	2.00
Code Enforcement	0.30	0.30	0.30	0.30
	<u>2.30</u>	<u>2.30</u>	<u>2.30</u>	<u>2.30</u>
Totals	<u><u>25.60</u></u>	<u><u>25.60</u></u>	<u><u>25.60</u></u>	<u><u>25.60</u></u>

Source: City of Clayton Finance Department, Adopted Budgets.

¹ Full-time equivalent figure for five (5) maintenance personnel allocated to public works and parks & recreation functions based on actual historical labor distributions.

Fiscal Year Ending June 30					
2011	2012	2013	2014	2015	2016
2.00	2.00	2.00	2.00	2.00	2.00
2.30	2.30	2.30	2.30	2.30	2.30
1.00	1.00	1.00	1.00	1.00	1.00
5.30	5.30	5.30	5.30	5.30	5.30
11.00	11.00	11.00	11.00	11.00	11.00
2.00	2.00	2.00	2.00	2.00	2.00
13.00	13.00	13.00	13.00	13.00	13.00
3.70	3.50	3.40	3.10	3.50	4.00
1.30	1.50	1.60	1.90	1.50	1.00
1.60	1.60	1.60	1.60	1.60	1.60
0.30	0.30	0.30	0.30	0.30	0.30
1.90	1.90	1.90	1.90	1.90	1.90
25.20	25.20	25.20	25.20	25.20	25.20

**City of Clayton
Operating Indicators by Function
Last Ten Fiscal Years**

	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Function:				
Police:				
Police calls for service	*	*	*	*
Parking Violations	*	*	*	*
Traffic Citations	*	*	*	*
Physical Arrests	338	249	267	277
Public Works:				
Storm drains inspected	*	*	*	*
Trees trimmed	*	*	*	*
Park maintenance (acres)	*	*	*	*
Street signs maintained	*	*	*	*
Traffic signals maintained	*	*	*	*
Streetlights maintained	*	*	*	*
Parks and Recreation Services:				
Endeavor Hall rentals	*	*	*	*
Hoyer Hall rentals	*	*	*	*
Ballfields (hours rented)	*	*	*	*
Community and Economic Development:				
Planning permits issued	*	*	*	*
Code enforcement cases closed	*	*	*	*
Building permits issued	437	386	267	277
General Government:				
Business licenses issued	*	*	*	*
Home Occupation applications	*	*	*	*
Number of recruitments	*	*	*	*

Source: Clayton Finance Department, Contra Costa County Building Department, Clayton Planning Department, Clayton Police Department, Clayton Maintenance Department.

* Fiscal year ending June 30, 2016 is the first year of CAFR implementation for the City, this historical data not readily available.

Fiscal Year Ending June 30

2011	2012	2013	2014	2015	2016
*	*	5962	5858	7303	6730
*	*	125	40	53	53
*	*	585	664	653	518
255	182	201	137	200	219
*	*	*	*	*	25
*	*	*	*	*	70
*	*	*	*	*	19.07
*	*	*	*	*	350
*	*	*	*	*	13
*	*	*	*	*	1200
*	*	*	*	*	135 days
*	*	*	*	*	33
*	*	*	*	*	1512
*	*	*	*	*	161
*	*	*	*	*	61
255	182	201	376	430	386
*	*	*	547	707	645
*	*	*	*	*	5
*	*	*	*	*	5

**City of Clayton
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function:	Fiscal Year Ending June 30			
	2007	2008	2009	2010
Public Safety:				
Police stations	1	1	1	1
Patrol units	*	*	*	*
Trailers	*	*	*	*
Public Works:				
City owned parking lots	6	6	6	6
City vehicles	*	*	*	*
Community facilities	*	*	*	*
Curb lane miles	*	*	*	*
Manholes	*	*	*	*
Miles of storm drains	*	*	*	*
Number of catch basins	*	*	*	*
Number of street islands/medians	*	*	*	*
Miles of "v" ditches	*	*	*	*
Parking meters	0	0	0	0
Street signs	*	*	*	*
Streetlights (City owned)	*	*	*	*
Tractors/Trailers	*	*	*	*
Traffic signals (intersections)	*	*	*	*
Work trucks	*	*	*	*
Parks and Recreation Services:				
Acres of city parks	18.07	19.07	19.07	19.07
Acres of landscaped area (excl. parks)	46	46	46	46
Acres of open space	515.51	515.51	515.51	515.51
Acres of parks and irrigation	50	50	50	50
Miles of creekside trails	7	7	7	7
Miles of open space trails	20	20	20	20
Number of city parks	7	7	7	7
Number of city trees	3000	3000	3000	3000
Number of pedestrian bridges	9	9	9	9
Number of children playgrounds	3	4	4	4
Number of playfields	4	4	4	4

Source: Clayton Finance Department; Annual Stormwater Report; City Engineer.

* Fiscal year ending June 30, 2016 is the first year of CAFR implementation for the City, this historical data not readily available.

Fiscal Year Ending June 30

2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
*	*	*	*	16	16
*	*	*	*	2	2
6	6	6	6	6	6
*	*	*	*	*	24
*	*	*	*	*	3
*	*	*	*	*	82
*	*	*	*	*	162
*	*	*	*	*	32.479
*	*	*	*	*	968
*	*	*	*	*	50
*	*	*	*	*	15
0	0	0	0	0	0
*	*	*	*	*	2000
*	*	*	*	*	500
*	*	*	*	11	12
*	*	*	*	*	13
*	*	*	*	8	8
19.07	19.07	19.07	19.07	19.07	19.07
46	46	46	46	46	46
515.51	515.51	515.51	515.51	515.51	515.51
50	50	50	50	50	50
7	7	7	7	7	7
20	20	20	20	20	20
7	7	7	7	7	7
3000	3000	3000	3000	3000	3000
9	9	9	9	9	9
4	4	4	4	4	4
4	4	4	4	4	4

**City of Clayton
Miscellaneous Statistical Data
For the Year Ended June 30, 2016**

General Information:

Date of Incorporation	March 18, 1964
Form of Government	Council-Manager
Population	11,288
Number of authorized City employees	25
Median age	42.6
Median household income	\$131,136
Registered voters	7,252
Area in square miles	4.3

Miles of Streets:

Lane miles	44.9
Street condition score	79

Fire Protection (CalFire Services Clayton)

Number of stations	1
--------------------	---

Police Protection

Number of stations	1
Number of vehicles	11
Number of sworn personnel	11

Education

Elementary School	1
Mt Diablo Elementary	
Middle School	1
Diablo View Middle School	

Library (Contracted with Contra Costa County)

Number of libraries	1
Number of items	63,369

Parks & Community Facilities

Park sites	7
Park acreage	19.07
Open space acreage	515.51
Open space trail miles	20
Creekside trail miles	7
Endeavor Hall	1
Hoyer Hall (in the library)	1
City Hall Conference Room	1

Source: City of Clayton Finance Department, Contra Costa County Library, City of Clayton City Clerk, US Census.

ADDITIONAL REPORTS

**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 City of Clayton as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Clayton's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Clayton's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 25, 2016