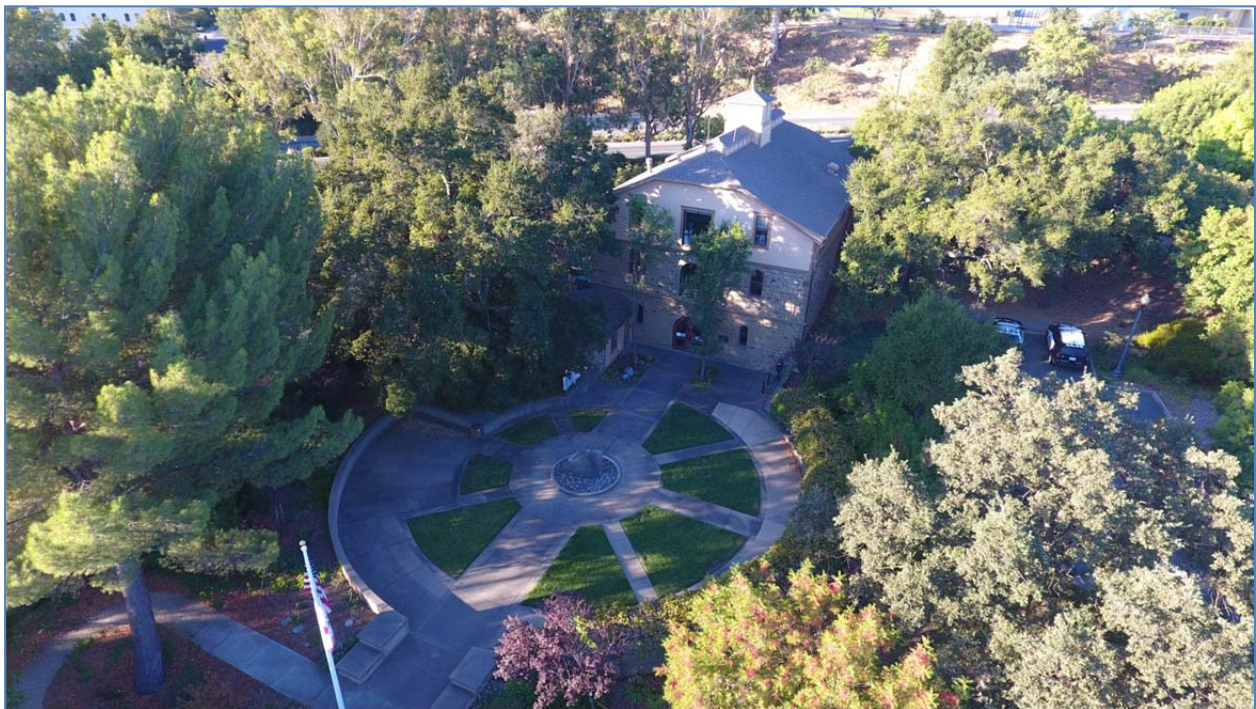


# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**CITY OF CLAYTON, CALIFORNIA**



**City of Clayton, California**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2017**

Prepared by

**Finance Department**

T. Kevin Mizuno, CPA  
Finance Manager

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# INTRODUCTORY SECTION

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 Comprehensive Annual Financial Report  
 For the year ended June 30, 2017  
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COMMUNITY  
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ENGINEERING (925) 969-8181

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

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

September 22, 2017

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, 2017. Since its 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 an 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 fair representation 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 have been included necessary for the reader to obtain a thorough understanding of the City's financial activities. 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 recounts the financial highlights of the City and provides additional analyses 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, 2017**  
**Letter of Transmittal**

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***City Profile***

The City of Clayton was incorporated in 1964 and is located in Contra Costa County, a suburban region in the eastern portion of the San Francisco-Bay Area. Pursuant to its adopted budget for the fiscal year ending June 30, 2017, the City has a permanent staff of twenty-five (25) full-time employees which serves approximately 11,284 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, planning/land use, and economic development. The City is governed by a five-member City Council elected at large, serving staggered terms of four years. 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 setting policies, 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, overseeing the daily operations of the City, and appointing all department heads and through them all other employees of the City.

The City's fiscal year runs from July 1<sup>st</sup> through June 30<sup>th</sup>. 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***

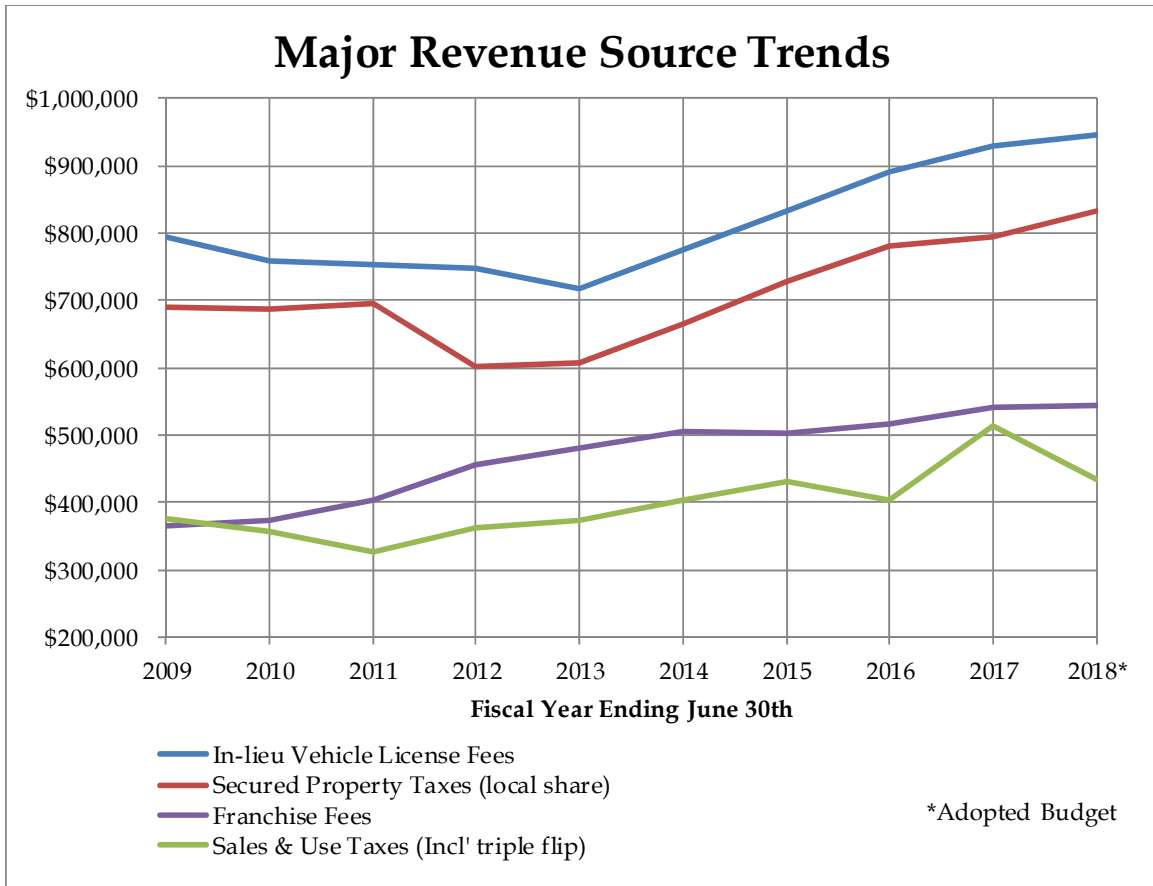
Essentially a cul-de-sac hugging the base of acclaimed Mt. Diablo, Clayton maintains a small town atmosphere while its relative proximity to California State Highway 24 and neighboring city BART stations make it ideal for commuters. In addition, the semi-rural setting, low crime rate and excellent middle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

**City of Clayton**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2017**  
**Letter of Transmittal**

*Economic Condition and Outlook, Continued*

Its residents are generally highly educated with approximately 51.5% of adults greater than age 25 having a bachelor's degree or higher. In June of 2017, the unemployment rate of the City was only 3.0%, compared to 3.5% and 4.2% for Contra Costa County and the State of California, respectively. As of July 1, 2016, the median household income in the City was \$131,563 compared to \$61,818 for the state. The median sales price of homes in Clayton as of for the fiscal year ending June 30, 2017 was \$745,000. These factors bode well for the City's major sources of revenue, as property and sales & use taxes maintain all-time high levels.

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); franchise fees; and secured property taxes; sales & use taxes (including the state-allocated "triple flip" prior to the fiscal year ending June 30, 2018). The following chart illustrates the ten year trend of these four major revenue sources for the City:



**City of Clayton**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2017**  
**Letter of Transmittal**

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*Economic Condition and Outlook, Continued*

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 62.3% of the General Fund's revenue budget for the fiscal year ending June 30, 2018. A non-recurring spike was realized in sales and use taxes in the prior year attributable to the City receiving a final true-up Triple Flip allocation from the state following the statutory dissolution of this process effective January 1, 2017. In the long-run however, 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 fees and moderate growth in property tax revenue (including in-lieu VLF property taxes received from the state). With increasing telecommunications technologies, cable-based franchise fees could be a declining or at-risk revenue, while other factors such as weather patterns and sustainable energy trends could impact similar franchise fee revenue.

*Long-Term Financial Planning*

As of the year ended June 30, 2017, the City of Clayton's financial condition remains sound. An indicator of financial condition is the level of fund balances, both reserved and unreserved, in the City's General Fund. The City Council has directed an absolute minimum reserve of \$250,000 as its never-to-be-expended "catastrophic reserve." In practice, due to the effectiveness in fiscal management, this policy has been easily achieved, indicating perhaps this floor requirement should be elevated in the future. However, the standing Policy Goal of the City Council is to establish and retain an undesignated reserve of 50% the annual General Fund operating budget. At June 30, 2017, the total unassigned General Fund reserve balance is \$5,429,524, or 1.22 times the size of the adopted General Fund operating budget for the fiscal year ending June 30, 2018. This means in an emergency scenario, the City could operate over an entire year on reserves alone.

The City of Clayton maintains a five-year Capital Improvement Program (CIP), which serves as its planning document to ensure its infrastructure is well maintained. The City prioritizes roads for maintenance and reconstruction based on the relative pavement condition index, with other infrastructure and facility improvement projects prioritized at the discretion of the City Council. Over the course of the last 10 years the City has invested more than \$10.4 million into facility and infrastructure capital improvements, funded primarily by Highway User Tax Apportionments (i.e. HUTA or "gas taxes"), local Measure J taxes, redevelopment property tax increment allocations (prior to the dissolution of the Clayton Redevelopment Agency in 2012), and other state and federal grants. For the upcoming fiscal year ending June 30, 2018, the City's CIP is expected to invest an additional \$2.5 million into transportation and general infrastructure maintenance and improvement needs of the community.

**City of Clayton**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2017**  
**Letter of Transmittal**

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*Awards*

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clayton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. 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 a period of one year only. The prior year, was a milestone in the City's financial reporting history, as the City of Clayton submitted, and was awarded, a Certificate of Achievement by the GFOA for the first time. Management is confident its current report continues to meet the standards of the Certificate of Achievement Program, and we will be submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgements*

The preparation of a CAFR cannot be accomplished without the professional, efficient and dedicated services of the Admin/Finance Department staff (in particular, Accounting Technician Jennifer Giantvalley), and the 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

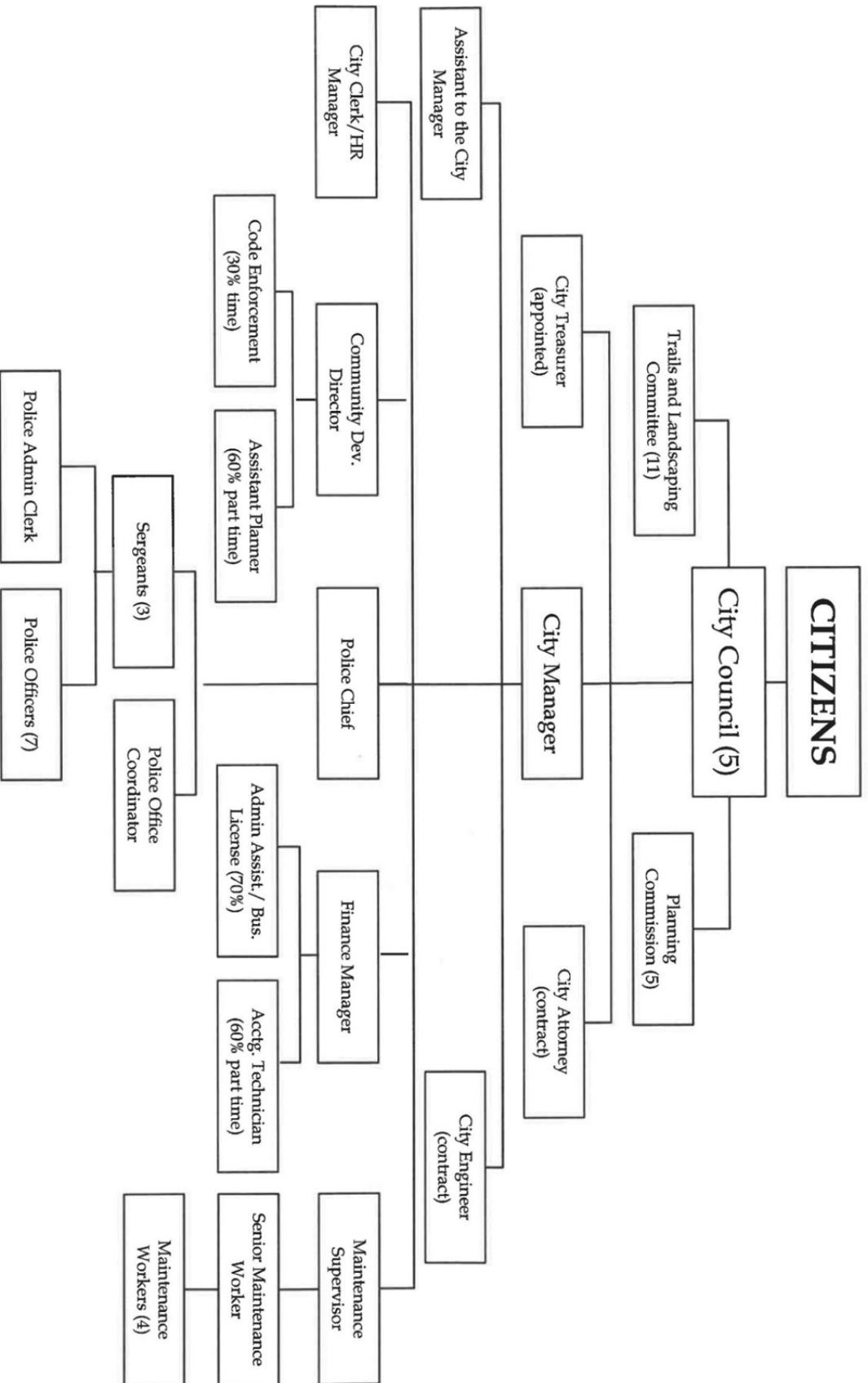
# OUR VALUES

- 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

---

## CITY COUNCIL

Jim Diaz, Mayor  
Keith Haydon, Vice Mayor  
Tuija Catalano, Councilmember  
Julie Pierce, Councilmember  
David T. Shuey, Councilmember

## COMMISSIONS

Planning Commission

## COMMITTEES

Trails and Landscaping Committee

## APPOINTED OFFICIALS AND DEPARTMENT HEADS

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

# Regional Map of Clayton, California And Nearby Cities





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Clayton  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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# FINANCIAL SECTION

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**INDEPENDENT AUDITORS'  
REPORT**



*office location*  
2700 Ygnacio Valley Road, Ste 270  
Walnut Creek, CA 94598  
(925) 932-3860 tel

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(925) 476-9930 efax

[www.cropperaccountancy.com](http://www.cropperaccountancy.com)

## 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, 2017, 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, 2017, 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 5-16, budgetary comparison information on pages 95-97, pension plan funding status on pages 98-99, and other postemployment benefits plan on page 100 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 September 22, 2017 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.



Cropper Accountancy Corporation  
Walnut Creek, California  
September 22, 2017

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

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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, 2017. 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, 2017 by \$46,036,976. Of this amount, \$7,770,840 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 \$1,129,657 in the fiscal year ending June 30, 2017. Net position of governmental activities increased by \$1,174,799, while net position of business-type activities decreased by \$45,142.

Major Fund Highlights

*Governmental Funds* - As of the year ended June 30, 2017, the City's governmental funds reported a combined ending fund balance of \$15,254,653. Of this amount \$5,426,974 represents "unassigned fund balances" available for appropriation.

*General Fund* - The unassigned fund balance of the General Fund on June 30, 2017 was \$5,429,524, while the non-spendable and assigned fund balances were \$72,518 and \$415,239 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.

**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

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**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

***Government-wide Financial Statements***

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

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

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.

**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

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**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

*Fund Financial Statements, Continued*

Governmental Funds

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

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

The City of Clayton maintains 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.

**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

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**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

*Fund Financial Statements, Continued*

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 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 43-93 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 \$46,036,976 at June 30, 2017, which is an increase of \$1,129,657 (2.5%) over the prior year's net position at June 30, 2016.

**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

**FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued**

*Analysis of Overall Net Position and Results of Operations, Continued*

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. The following is condensed comparative Statements of Net Position for the fiscal years ended June 30, 2017 and 2016:

	Governmental Activities 2017	Governmental Activities 2016	Business- Type Activities 2017	Business- Type Activities 2016	Total 2017	Total 2016
<b>Assets</b>						
Current assets	\$ 12,609,255	\$ 11,570,777	\$ (55,556)	\$ (49,613)	\$ 12,553,699	\$ 11,521,164
Noncurrent assets	6,933,417	7,436,491	-	-	6,933,417	7,436,491
Capital assets	29,349,667	28,929,140	1,184,742	1,221,999	30,534,409	30,151,139
<b>Total assets</b>	<b>48,892,339</b>	<b>47,936,408</b>	<b>1,129,186</b>	<b>1,172,386</b>	<b>50,021,525</b>	<b>49,108,794</b>
<b>Deferred outflows</b>	<b>1,600,976</b>	<b>617,879</b>	<b>-</b>	<b>-</b>	<b>1,600,976</b>	<b>617,879</b>
<b>Liabilities</b>						
Current liabilities	586,511	377,491	8,634	6,692	595,145	384,183
Noncurrent liabilities	4,635,091	3,793,761	-	-	4,635,091	3,793,761
<b>Total liabilities</b>	<b>5,221,602</b>	<b>4,171,252</b>	<b>8,634</b>	<b>6,692</b>	<b>5,230,236</b>	<b>4,177,944</b>
<b>Deferred inflows</b>	<b>355,289</b>	<b>641,410</b>	<b>-</b>	<b>-</b>	<b>355,289</b>	<b>641,410</b>
<b>Net position</b>						
Net investment in capital assets	29,349,667	28,929,140	1,184,742	1,221,999	30,534,409	30,151,139
Restricted	7,731,727	7,783,815	-	-	7,731,727	7,783,815
Unrestricted	7,835,030	7,028,670	(64,190)	(56,305)	7,770,840	6,972,365
<b>Total net position</b>	<b>\$ 44,916,424</b>	<b>\$ 43,741,625</b>	<b>\$ 1,120,552</b>	<b>\$ 1,165,694</b>	<b>\$ 46,036,976</b>	<b>\$ 44,907,319</b>

Of the City's total net position, \$7,731,727 (16.8%) represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of \$7,770,840 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 \$7,632,601, while expenses totaled \$6,502,944, resulting in a net increase to net position of \$1,129,657 (2.5%) excluding transfers, extraordinary and special items. This net increase was primarily attributable to an increase in net position of governmental activities, which is discussed in greater detail in the following section.



**City of Clayton  
Management's Discussion and Analysis  
For the year ended June 30, 2017**

**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, 2017 and 2016:

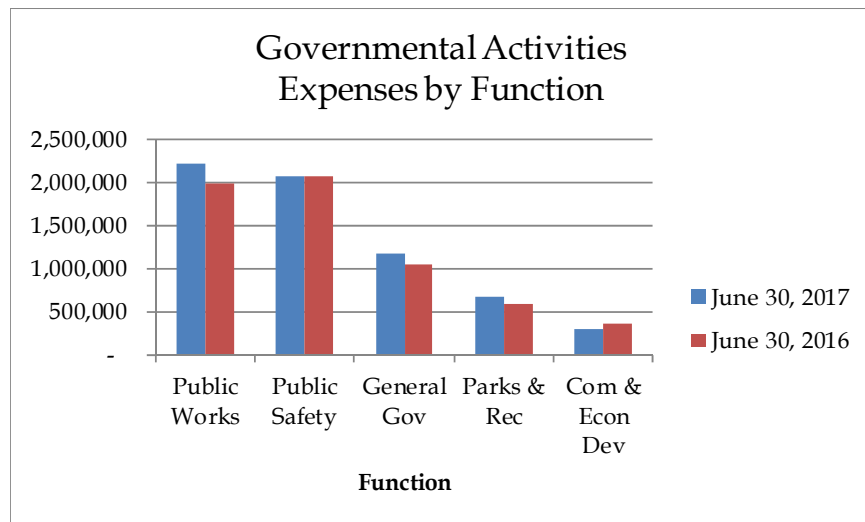
	Governmental Activities 2017	Governmental Activities 2016	Business Type Activities 2017	Business Type Activities 2016	Total 2017	Total 2016
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 909,755	\$ 900,374	\$ 22,251	\$ 27,253	\$ 932,006	\$ 927,627
Operating grants and contributions	813,168	836,833	-	-	813,168	836,833
Capital grants and contributions	885,398	22,200	-	-	885,398	22,200
Total program revenues	<u>2,608,321</u>	<u>1,759,407</u>	<u>22,251</u>	<u>27,253</u>	<u>2,630,572</u>	<u>1,786,660</u>
<b>General revenues:</b>						
Property taxes	2,339,221	2,256,780	-	-	2,339,221	2,256,780
Special parcel taxes	1,220,427	1,185,651	-	-	1,220,427	1,185,651
Sales and use taxes	455,387	372,705	-	-	455,387	372,705
Business license taxes	135,866	133,943	-	-	135,866	133,943
Franchise fees	541,138	516,607	-	-	541,138	516,607
Payments in lieu of taxes	157,949	154,852	-	-	157,949	154,852
Investment income	119,201	295,904	-	-	119,201	295,904
Miscellaneous	31,216	58,694	-	-	31,216	58,694
Gain (loss) on sale of assets	1,624	792	-	-	1,624	792
Total general revenues	<u>5,002,029</u>	<u>4,975,928</u>	<u>-</u>	<u>-</u>	<u>5,002,029</u>	<u>4,975,928</u>
Total revenues	<u>7,610,350</u>	<u>6,735,335</u>	<u>22,251</u>	<u>27,253</u>	<u>7,632,601</u>	<u>6,762,588</u>
<b>Expenses:</b>						
General government	1,174,069	1,051,461	-	-	1,174,069	1,051,461
Public works	2,221,835	1,975,653	-	-	2,221,835	1,975,653
Parks and recreation services	676,790	583,120	-	-	676,790	583,120
Community and economic development	287,775	362,248	-	-	287,775	362,248
Public safety	2,075,082	2,060,621	-	-	2,075,082	2,060,621
Endeavor Hall	-	-	67,393	67,668	67,393	67,668
Total expenses	<u>6,435,551</u>	<u>6,033,103</u>	<u>67,393</u>	<u>67,668</u>	<u>6,502,944</u>	<u>6,100,771</u>
<b>Increase (decrease) in Net Position before transfers, special and extraordinary items</b>						
Extraordinary items	1,174,799	702,232	(45,142)	(40,415)	1,129,657	661,817
Change in Net Position	-	(230,786)	-	-	-	(230,786)
Net Position - Beginning	1,174,799	471,446	(45,142)	(40,415)	1,129,657	431,031
Prior period adjustment - July 1, 2015	43,741,625	35,459,216	1,165,694	1,206,109	44,907,319	36,665,325
Net Position - beg. of year, as restated	-	7,810,963	-	-	-	7,810,963
Net Position - Ending	<u>43,741,625</u>	<u>43,270,179</u>	<u>1,165,694</u>	<u>1,206,109</u>	<u>44,907,319</u>	<u>44,476,288</u>
	<u>\$ 44,916,424</u>	<u>\$ 43,741,625</u>	<u>\$ 1,120,552</u>	<u>\$ 1,165,694</u>	<u>\$ 46,036,976</u>	<u>\$ 44,907,319</u>

**City of Clayton  
Management's Discussion and Analysis  
For the year ended June 30, 2017**

**FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued**

*Analysis of Governmental Activities*

The increase in net position of the governmental activities over the prior year was primarily attributable to an increase in unrestricted net position, accounting for 68.4% of the change. The increase in unrestricted net position arose from increases in fund balances of governmental funds, specifically the General Fund, Landscape Maintenance District Fund, and non-major governmental funds. A decrease in noncurrent assets, excluding capital assets, by \$503,074 (6.8%) from the prior year resulted from the repayment of the 1999 Fire Station Note from the Redevelopment Successor Agency to the General Fund. Total expenses were \$6,435,551 in the current year compared to \$6,033,103 in the prior year. The following chart depicts the relative size of expenses by function for the fiscal years ending June 30, 2017 and 2016:



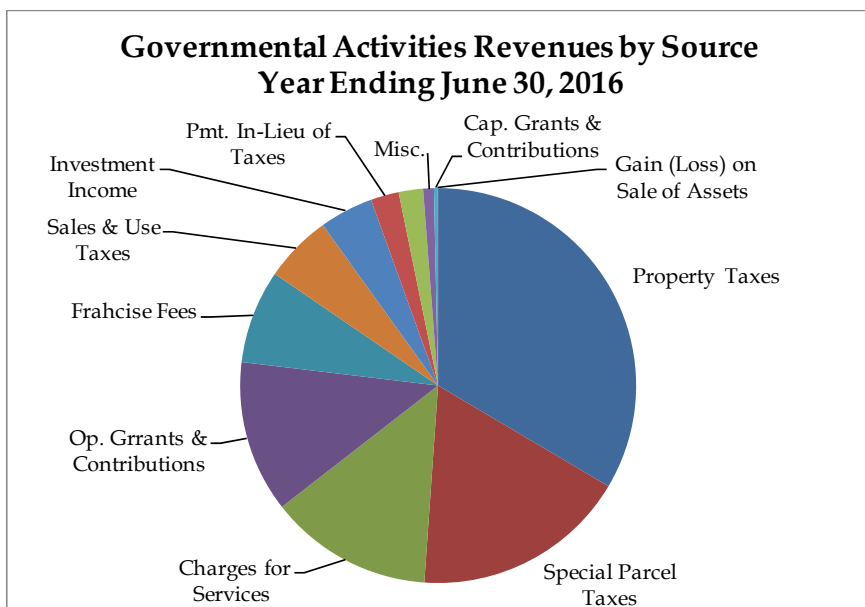
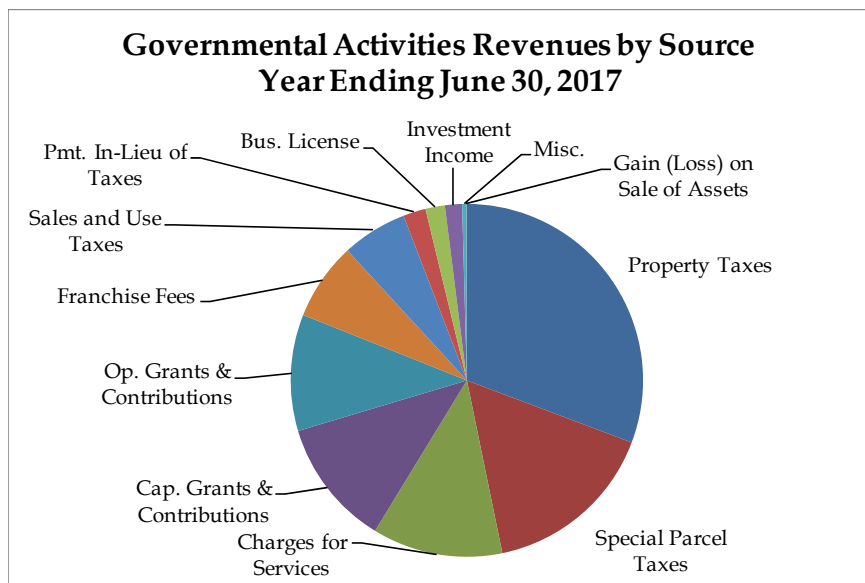
Total program revenues from governmental activities were \$909,755 in the current year compared to \$900,374 in the prior year. Per *GASB Statement No. 34*, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. Of the governmental program revenues, 34.9% 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 65.1% 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, 2017**

**FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued**

*Analysis of Governmental Activities, Continued*

Total general revenues from governmental activities were relatively consistent at \$5,002,029 in the current year compared to \$4,975,928 in the prior year. The following pie charts depict the relative size of governmental activities program and general revenues by source for the fiscal years ending June 30, 2017 and 2016:



**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

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**FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS, Continued**

*Analysis of Business-Type Activities*

Total business-type expenses were consistent at \$67,393 in the current year compared to \$67,668 in the prior year. Total charges for services declined slightly (18.4%) from \$27,253 in the prior year to \$22,251 in the current. Accordingly, net position of business-type activities declined by \$45,142 to a total of \$1,120,552 at June 30, 2017 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 \$15,254,653. Of this amount, in order of relative significance, \$5,426,974 (35.6%) is unassigned; \$3,768,786 (24.7%) is in non-spendable form; \$3,442,181 (22.6%) is assigned for specific purposes; \$2,122,471 (13.9%) is restricted by law, regulation, or other outside contractual agreements; and \$494,241 (3.2%) is committed for specific expenditures in the future.

General Fund

The City's General Fund reported an increase in fund balance of \$299,222 in the current fiscal year. This increase in fund balance is largely attributable to expenditures coming in under budget as well as property taxes coming in well over budget. Total fund balance of the General Fund is \$5,917,281 as of June 30, 2017, of which \$5,429,524 (91.8%) is reported as unassigned and available for appropriation. This unassigned fund balance is 121.9% the size of the General Fund's adopted operating budget for the fiscal year ending June 30, 2018.

**City of Clayton**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2017**

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**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 \$109,317 in the current fiscal year. This increase in fund balance is largely attributable to capital projects originally planned for the current fiscal year, including the downtown planter rejuvenation and replacement project, being deferred to the next fiscal year. Total fund balance of the Landscape Maintenance District is \$1,096,083 as of June 30, 2017, of which \$397,786 (36.3%) 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 \$132,055 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 \$4,427,228 as of June 30, 2017, of which \$3,696,268 (83.5%) 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 minor increase in fund balance of \$9,223 in the current fiscal year. This small increase in fund balance is a result of capital outlays for projects included in the City's adopted five-year rolling Capital Improvement Program budget being primarily reimbursement-based, with revenue offsets in the form of inter-fund transfers or reimbursable grants from outside agencies. Total fund balance of the Capital Improvement Program fund is \$1,606,900 and is reported entirely as assigned for capital projects as of June 30, 2017.

*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 City's only major enterprise fund, Endeavor Hall, at the end of the year was \$1,120,552, and total net position for the internal service funds amounted to \$519,903.

**City of Clayton  
Management's Discussion and Analysis  
For the year ended June 30, 2017**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund actual revenues and transfers exceeded total budgeted revenues by \$154,204 (3.6%). This favorable variance is largely explained by actual property tax revenues exceeding somewhat conservative budgetary growth projections of 2.0%. The adjusted General Fund budget authorized appropriations of \$4,644,705 for the fiscal year ending June 30, 2017. Actual General Fund operating expenditures of \$4,155,603 were under the final adjusted budget by \$489,102 (10.5%). On February 21, 2017 the City Council approved the assignment and appropriation of \$204,902 in General Fund reserves arising from the surplus reported the fiscal year ending June 30, 2016. Consistent with similar action taken in the prior year, 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, 2017, the balance of General Fund balance assignments was \$415,239, which was rolled into next year's budget for the specific authorized 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, 2017, amounted to \$30,534,409 (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 expense on governmental assets totaled \$955,149, versus \$948,496 in the prior year. The slight increase in depreciation was largely attributable to significant capital assets deemed complete during the prior year that were depreciated a full year's depreciation 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 City of Clayton Redevelopment Agency 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, 2017**

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**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 and more commercially and industrial developed municipalities have access to (i.e. sales and transient occupancy 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 notable increase in adopted General Fund appropriations for the upcoming fiscal year ending June 30, 2018 by \$193,330 (4.5%). The growth in appropriations is nearly entirely attributable to unavoidable fixed cost increases while continuing to provide the same level of services to the community. The primary fixed cost increase pertained to an unavoidable increase to the fixed dollar surcharge imposed by the City's pension trust administrator (CalPERS) to help reduce at the City's proportionate share of the unfunded actuarial liability of the multiple-employer cost-sharing pension plan.

In the adopted fiscal year budget for the year ending June 30, 2018 projects total General Fund revenues of \$4,465,880, an increase of approximately \$165,260 (3.8%) over the prior year adopted budget. The projected revenue increase is supported by actual operational revenue results for the year ending June 30, 2017.

**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.

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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**City of Clayton  
Government-Wide  
Statement of Net Position  
June 30, 2017**

<b>ASSETS</b>	Governmental Activities	Business-Type Activites	Total
<b>Current Assets:</b>			
Cash and investments	\$ 10,777,647	\$ -	\$ 10,777,647
Accounts receivable (net of allowances)	1,724,392	-	1,724,392
Interest receivable	39,681	-	39,681
Internal balances	55,556	(55,556)	-
Prepaid expenses	11,979	-	11,979
Total Current Assets	12,609,255	(55,556)	12,553,699
<b>Noncurrent Assets:</b>			
Investment in affordable housing	2,380,056	-	2,380,056
Notes receivable	4,553,361	-	4,553,361
Nondepreciable assets	3,455,755	167,738	3,623,493
Depreciable assets, net	25,893,912	1,017,004	26,910,916
Total Noncurrent Assets	36,283,084	1,184,742	37,467,826
<b>Total Assets</b>	48,892,339	1,129,186	50,021,525
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pensions	1,600,976	-	1,600,976
Total Deferred Outflows of Resources	1,600,976	-	1,600,976
<b>LIABILITIES</b>			
<b>Current Liabilites:</b>			
Accounts payable	389,641	2,434	392,075
Deposits payable	-	4,000	4,000
Accrued payroll	69,919	-	69,919
Unearned revenue	44,502	-	44,502
Compensated absences payable (current portion)	79,187	-	79,187
Other liabilities	3,262	2,200	5,462
Total Current Liabilities	586,511	8,634	595,145
<b>Noncurrent Liabilites:</b>			
Compensated absences payable (long-term portion)	79,187	-	79,187
Net OPEB liability	142,547	-	142,547
Net pension liability	4,413,357	-	4,413,357
Total Noncurrent Liabilities	4,635,091	-	4,635,091
<b>Total Liabilities</b>	5,221,602	8,634	5,230,236
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension	355,289	-	355,289
Total Deferred Inflows of Resources	355,289	-	355,289
<b>NET POSITION</b>			
Net investment in capital assets	29,349,667	1,184,742	30,534,409
Restricted for special projects and programs	7,731,727	-	7,731,727
Unrestricted	7,835,030	(64,190)	7,770,840
<b>Total Net Position</b>	\$ 44,916,424	\$ 1,120,552	\$ 46,036,976

*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, 2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities</b>							
General government	\$ 1,174,069	\$ 349,220	\$ 35,772	\$ -	\$ (789,077)	\$ -	\$ (789,077)
Public works	2,221,835	324,308	540,008	880,604	(476,915)	-	(476,915)
Parks and recreation services	676,790	70,394	-	-	(606,396)	-	(606,396)
Community and economic development	287,775	113,336	-	2,082	(172,357)	-	(172,357)
Public safety	2,075,082	52,497	237,388	2,712	(1,782,485)	-	(1,782,485)
<b>Total Governmental Activities</b>	<b>6,435,551</b>	<b>909,755</b>	<b>813,168</b>	<b>885,398</b>	<b>(3,827,230)</b>	<b>-</b>	<b>(3,827,230)</b>
<b>Business-Type Activities</b>							
Endeavor Hall	67,393	22,251	-	-	-	(45,142)	(45,142)
<b>Total Business-Type Activities</b>	<b>67,393</b>	<b>22,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,142)</b>	<b>(45,142)</b>
<b>Total Primary Government</b>	<b>\$ 6,502,944</b>	<b>\$ 932,006</b>	<b>\$ 813,168</b>	<b>\$ 885,398</b>	<b>(3,827,230)</b>	<b>(45,142)</b>	<b>(3,872,372)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					2,339,221	-	2,339,221
Special parcel taxes					1,220,427	-	1,220,427
Sales and use taxes					455,387	-	455,387
Business license taxes					135,866	-	135,866
<b>Total Taxes</b>					<b>4,150,901</b>	<b>-</b>	<b>4,150,901</b>
Franchise fees					541,138	-	541,138
Payments in lieu of taxes					157,949	-	157,949
Investment income (loss)					119,201	-	119,201
Other miscellaneous general revenues					31,216	-	31,216
Gain on fixed asset disposal					1,624	-	1,624
<b>Total general revenues and transfers</b>					<b>5,002,029</b>	<b>-</b>	<b>5,002,029</b>
<b>Change in net position</b>					<b>1,174,799</b>	<b>(45,142)</b>	<b>1,129,657</b>
<b>Net position - beginning of year</b>					<b>43,741,625</b>	<b>1,165,694</b>	<b>44,907,319</b>
<b>Net position - end of year</b>					<b>\$ 44,916,424</b>	<b>\$ 1,120,552</b>	<b>\$ 46,036,976</b>

*The accompanying notes are an integral part of the financial statements*

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# **FUND FINANCIAL STATEMENTS**

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# 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 Improvement Program* - 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, 2017**

	General Fund	Special Revenue	
		Landscape Maintenance District	Successor Housing Agency
<b>ASSETS</b>			
Cash and investments	\$ 5,877,202	\$ 1,149,843	\$ 730,960
Accounts receivable	541,259	-	-
Interest receivable	39,681	-	-
Investment in affordable housing	-	-	2,380,056
Notes receivable	7,949	-	4,545,412
Prepaid expenses	11,832	-	-
Due from other funds	58,106	-	-
Advance to other funds	2,580	-	-
<b>Total Assets</b>	<b>\$ 6,538,609</b>	<b>\$ 1,149,843</b>	<b>\$ 7,656,428</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 150,787	\$ 53,760	\$ -
Other payables	486	-	-
Accrued payroll	69,919	-	-
Compensated absences	79,187	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Unearned revenue	44,502	-	-
<b>Total Liabilities</b>	<b>344,881</b>	<b>53,760</b>	<b>-</b>
Deferred Inflows of Resources:			
Deferred revenue	276,447	-	3,229,200
<b>Total Deferred Inflows of Resources</b>	<b>276,447</b>	<b>-</b>	<b>3,229,200</b>
Fund Balance:			
Non-spendable	72,518	-	3,696,268
Restricted	-	698,297	676,690
Committed	-	-	-
Assigned	415,239	397,786	54,270
Unassigned	5,429,524	-	-
<b>Total Fund Balance</b>	<b>5,917,281</b>	<b>1,096,083</b>	<b>4,427,228</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,538,609</b>	<b>\$ 1,149,843</b>	<b>\$ 7,656,428</b>

*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>
\$ 921,286	\$ 1,902,495	\$ 10,581,786
834,514	348,619	1,724,392
-	-	39,681
-	-	2,380,056
-	-	4,553,361
-	147	11,979
-	-	58,106
-	-	2,580
<u>\$ 1,755,800</u>	<u>\$ 2,251,261</u>	<u>\$ 19,351,941</u>
\$ 148,900	\$ 36,194	\$ 389,641
-	2,776	3,262
-	-	69,919
-	-	79,187
-	2,550	2,550
-	2,580	2,580
-	-	44,502
<u>148,900</u>	<u>44,100</u>	<u>591,641</u>
-	-	3,505,647
-	-	3,505,647
-	-	3,768,786
-	747,484	2,122,471
-	494,241	494,241
1,606,900	967,986	3,442,181
-	(2,550)	5,426,974
<u>1,606,900</u>	<u>2,207,161</u>	<u>15,254,653</u>
<u>\$ 1,755,800</u>	<u>\$ 2,251,261</u>	<u>\$ 19,351,941</u>

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**City of Clayton**  
**Reconciliation of Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2017**

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**Total Fund Balances - Governmental Funds** \$ 15,254,653

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	3,455,755
Depreciable capital assets (net of internal service fund assets of \$324,042)	25,569,870

**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, but are taken into revenue in the statement of activities.	3,505,647
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**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	(142,547)
Compensated absences payable	(79,187)
Net pension liability not reported on the Governmental Funds Balance Sheet	(4,413,357)

**DEFERRED INFLOWS AND OUTFLOWS**

Deferred outflows of resources for pensions not reported on the Governmental Funds Balance Sheet	1,600,976
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Deferred inflows of resources for pensions not reported on the Governmental Funds Balance Sheet	(355,289)
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**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.

519,903

**Net Position of Governmental Activities** \$ 44,916,424

*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, 2017**

	General Fund	Special Revenue	
		Landscape Maintenance District	Successor Housing Agency
<b>REVENUES</b>			
Property taxes	\$ 2,339,221	\$ -	\$ -
Program income	-	-	86,400
Special parcel taxes and assessments	-	1,058,799	-
Sales and use taxes	455,387	-	-
Business licenses	135,866	-	-
Permits, licenses and fees	161,443	-	-
Fines, forfeitures and penalties	92,662	-	-
Intergovernmental	98,451	-	-
Motor vehicle in-lieu fees	-	-	-
Other in-lieu fees	157,949	-	-
Franchise fees	541,138	-	-
Service charges	311,796	-	-
Use of money and property	35,326	3,393	65,741
Other revenue	18,186	-	-
<b>Total Revenues</b>	<b>4,347,425</b>	<b>1,062,192</b>	<b>152,141</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,178,444	-	-
Public works	249,006	839,348	-
Parks and recreation services	325,187	-	-
Community and economic development	288,962	-	20,086
Public safety	2,104,174	-	-
Capital Outlay	9,830	77,739	-
<b>Total Expenditures</b>	<b>4,155,603</b>	<b>917,087</b>	<b>20,086</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over (Under) Expenditures</b>	<b>191,822</b>	<b>145,105</b>	<b>132,055</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	107,400	-	-
Transfers out	-	(35,788)	-
<b>Total Other Financing Sources (Uses)</b>	<b>107,400</b>	<b>(35,788)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>299,222</b>	<b>109,317</b>	<b>132,055</b>
<b>FUND BALANCES</b>			
Beginning of year	5,618,059	986,766	4,295,173
End of fiscal year	\$ 5,917,281	\$ 1,096,083	\$ 4,427,228

*The accompanying notes are an integral part of the financial statements*

<u>Capital Project Capital Improvement Program</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 2,339,221
-	-	86,400
-	407,106	1,465,905
-	-	455,387
-	-	135,866
-	47,583	209,026
-	-	92,662
880,605	727,632	1,706,688
-	-	-
-	-	157,949
-	-	541,138
-	-	311,796
6,053	7,697	118,210
12,000	10,000	40,186
<u>898,658</u>	<u>1,200,018</u>	<u>7,660,434</u>
-	16,162	1,194,606
-	431,638	1,519,992
-	133,107	458,294
-	-	309,048
-	161,671	2,265,845
1,278,987	43,043	1,409,599
<u>1,278,987</u>	<u>785,621</u>	<u>7,157,384</u>
<u>(380,329)</u>	<u>414,397</u>	<u>503,050</u>
389,552	1,008	497,960
-	(462,172)	(497,960)
<u>389,552</u>	<u>(461,164)</u>	<u>-</u>
9,223	(46,767)	503,050
<u>1,597,677</u>	<u>2,253,928</u>	<u>14,751,603</u>
<u>\$ 1,606,900</u>	<u>\$ 2,207,161</u>	<u>\$ 15,254,653</u>

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**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, 2017**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 503,050

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)	(13,003)
Long-term compensated absences payable	(8,741)
Net change in accrued pension liability and deferred inflows (outflows).	408,406
Unavailable revenues	(99,914)

**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.	1,295,707
Depreciation expense is deducted from the fund balance (Net of internal service fund depreciation of \$90,075).	(865,074)

**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.

(45,632)

**Change in Net Position of Governmental Activities on Statement of Activities** \$ 1,174,799

*The accompanying notes are an integral part of the financial statements*

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## 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, 2017**

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	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ -	\$ 195,861
Noncurrent Assets		
Land	167,738	-
Depreciable assets, net	1,017,004	324,042
<b>Total Assets</b>	<b>1,184,742</b>	<b>519,903</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	2,434	-
Other payables	2,200	-
Deposits payable	4,000	-
Due to other funds	55,556	-
<b>Total Liabilities</b>	<b>64,190</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	1,184,742	324,042
Unrestricted	(64,190)	195,861
<b>Total Net Position</b>	<b>\$ 1,120,552</b>	<b>\$ 519,903</b>

*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, 2017**

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	<u>Business-type Activities - Endeavor Hall</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>OPERATING REVENUES</b>		
Charges for current services	\$ 22,251	\$ 47,215
<b>Total Operating Revenues</b>	<u>22,251</u>	<u>47,215</u>
<b>OPERATING EXPENSES</b>		
Personnel	11,288	-
General and administrative	18,848	5,387
Depreciation and amortization	<u>37,257</u>	<u>90,075</u>
<b>Total Operating Expenses</b>	<u>67,393</u>	<u>95,462</u>
<b>Operating Income (Loss)</b>	<u>(45,142)</u>	<u>(48,247)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on disposal of assets	-	1,624
Investment income	-	991
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>2,615</u>
<b>Change in Net Position</b>	<u>(45,142)</u>	<u>(45,632)</u>
<b>NET POSITION:</b>		
Beginning of fiscal year	<u>1,165,694</u>	<u>565,535</u>
End of fiscal year	<u>\$ 1,120,552</u>	<u>\$ 519,903</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, 2017**

	Business-type Activities - Endeavor Hall	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers/other funds	\$ 28,194	\$ 47,215
Cash payments to suppliers for goods and services	(16,906)	(5,387)
Cash payment to employees for services	(11,288)	-
<b>Net cash provided (used) by operating activities</b>	<u>-</u>	<u>41,828</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of fixed assets	-	(79,970)
Gain on sale of assets	-	1,624
<b>Net cash provided (used) by capital and related financing activities</b>	<u>-</u>	<u>(78,346)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment received on investments	-	992
<b>Net Cash provided by investing activities</b>	<u>-</u>	<u>992</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-	(35,526)
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of fiscal year	-	231,387
End of fiscal year	<u>\$ -</u>	<u>\$ 195,861</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (45,142)	\$ (48,247)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	37,257	90,075
Changes in current assets and liabilities:		
Accounts payable	1,442	-
Deposits payable	500	-
Due to other funds	5,943	-
<b>Net cash provided (used) by operating activities</b>	<u>\$ -</u>	<u>\$ 41,828</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, 2017**

	Private Purpose Trust Fund	Redevelopment Successor Agency	Agency Funds
<b>ASSETS</b>			
Cash and investments	\$ 258,471		\$ 2,207,679
Cash and investments with fiscal agents	541,932		417,848
Accounts receivable	-		52,024
Assessments receivable	-		2,687,478
Notes receivable	116,204		-
Investment in bonds	-		2,400,000
<b>Total Assets</b>	916,607		7,765,029
<b>LIABILITIES</b>			
Accounts payable	-		8,982
Other liabilities	-		2,013,488
Deposits payable	-		815,081
Accrued interest payable	30,040		-
Advance from Successor Housing Agency	592,412		-
Notes payable	-		124,153
Bonds payable	3,135,000		4,803,325
<b>Total Liabilities</b>	3,757,452		\$ 7,765,029
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred notes receivables	116,204		
<b>Total Deferred Inflows of Resources</b>	116,204		
<b>NET POSITION</b>			
Held in trust for others	(2,957,049)		
<b>Total Net Position</b>	\$ (2,957,049)		

*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, 2017**

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	Private Prupose Trust Fund <hr/> Redevelopment Successor Agency <hr/>
<b>ADDITIONS</b>	
Tax increment revenue	\$ 701,354
Program revenue	11,482
<b>Total Additions</b>	<hr/> <b>712,836</b> <hr/>
<b>DEDUCTIONS</b>	
Interest expense	72,733
Administrative costs	231,915
Investment loss	7,126
Other expenses	3,180
<b>Total Deductions</b>	<hr/> <b>314,954</b> <hr/>
<b>Changes in Net Position</b>	<hr/> <b>397,882</b> <hr/>
<b>NET POSITION</b>	
Beginning of Year	<hr/> <b>(3,354,931)</b> <hr/>
End of Year	<hr/> <b>\$ (2,957,049)</b> <hr/>

*The accompanying notes are an integral part of the financial statements*

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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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## **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 11,284.

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, 2017**

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**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](http://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, 2017**

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**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, 2017**

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**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 restricted special parcel tax approved over two-thirds the local electorate in the June 2016 election through the passing of "Measure H." This special parcel tax is restricted to fund the operation, maintenance, and improvement of specific city-wide public landscaped areas.

Successor Housing 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. Program revenue of this fund is primarily generated through the repayment on low-moderate income housing loans.

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, 2017**

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**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, 2017**

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**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, 2017**

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**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).

Local Agency Investment Fund (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 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, 2017**

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**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 capital assets are valued at their estimated fair market value on the date donated. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Capital Assets, Continued*

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

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2003. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition.

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

*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, 2017**

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**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 as well as compensated leave hours earned in-lieu of overtime. It is the policy of the City to pay eighteen times an employee’s capped monthly vacation accrual upon retirement or termination.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**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

Equity of 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, commits and assigns fund balances through the passing of resolutions and ordinances, requiring an equal action for modification or rescinding thereof. It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Net Position / Fund Balances, Continued*

Fund balances for the governmental funds are made up of the following:

- *Non-spendable* – Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- *Restricted* – Includes 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* – Includes 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* – Includes amounts constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- *Unassigned* – The residual funds that have not been assigned to other funds, are not non-spendable, restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance.

The City Council has formally adopted a policy requiring a minimum General Fund reserve contingency of \$250,000.

*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.

*Reclassifications*

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

### *Use of Estimates*

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

### *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. 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.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*New Accounting Pronouncements, Continued*

- 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 was required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015), except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective in the current fiscal year.

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

*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. 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.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Future Accounting Pronouncements, Continued*

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

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.
- 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 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). The City has not yet determined the impact of this Statement of the financial statements.



**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Future Accounting Pronouncements, Continued*

- 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). The City has not yet determined the impact of this Statement of the financial statements.

- GASB Statement No. 83 - *“Certain Asset Retirement Obligations”*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The objective of this Statement is to improve comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This statement will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2019 (effective for periods beginning after June 15, 2018). The City has not yet determined the impact of this Statement of the financial statements.

- GASB Statement No. 84 - *“Fiduciary Activities”*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Future Accounting Pronouncements, Continued*

all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2020 (effective for periods beginning after December 15, 2018). 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. 85 - “*Omnibus 2017*”

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2018 (effective for periods beginning after June 15, 2017). The City has not yet determined the impact of this Statement of the financial statements.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Future Accounting Pronouncements, Continued*

- GASB Statement No. 86 - *“Certain Debt Extinguishment Issues”*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement will enhance consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2018 (effective for periods beginning after June 15, 2017). The City has not yet determined the impact of this Statement of the financial statements.

- GASB Statement No. 87 - *“Leases”*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Future Accounting Pronouncements, Continued*

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2021 (effective for periods beginning after December 15, 2019). The City has not yet determined the impact of this Statement of the financial statements.

**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	\$ 10,777,647
Statements of Fiduciary Net Position	
Private Purpose Trust Fund	
Cash and investments	258,471
Cash with fiscal agents	541,932
Agency Funds	
Cash and investments	2,207,679
Cash and investments with fiscal agents	417,848
Investment in bonds	2,400,000
Total	<u>\$ 16,603,577</u>
Cash and investments as of June 30, 2017, consist of the following:	
Cash on hand	\$ 1,000
Deposits with financial institutions	1,668,136
Investments	14,934,441
Total	<u>\$ 16,603,577</u>

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

*Policy*

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

The following table identifies the investment types that are authorized for the City of Clayton by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Money market mutual funds	N/A	N/A	N/A
U.S. government agency issues	5 years	20%	None
Federal Housing Administration debentures	N/A	N/A	N/A
Commercial paper	92 Days	N/A	N/A
Demand or time deposits	366 Days	N/A	N/A

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Usually, the later the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

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	\$ 501,536	\$ 501,536	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	11,096,062	2,632,989	3,033,344	3,106,337	1,235,157	1,088,235	-
U.S. Government Agency Notes	686,843	-	-	-	686,843	-	-
Held by Bond Trustees:							
U.S. Government Agency Notes	250,000	250,000	-	-	-	-	-
Municipal Bonds	2,400,000	342,000	362,000	383,000	409,000	434,000	470,000
Total Investments	<u>\$ 14,934,441</u>	<u>\$ 3,726,525</u>	<u>\$ 3,395,344</u>	<u>\$ 3,489,337</u>	<u>\$ 2,331,000</u>	<u>\$ 1,522,235</u>	<u>\$ 470,000</u>

***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	\$ -	\$ -	\$ -	\$ 501,536	\$ 501,536
Certificates of Deposit	-	-	-	11,096,062	11,096,062
U.S. Government Agency Notes	686,843	-	-	-	686,843
Held by Bond Trustees:					
U.S. Government Agency Notes	250,000	-	-	-	250,000
Municipal Bonds	-	-	-	2,400,000	2,400,000
Total Investments	<u>\$ 936,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,997,598</u>	<u>\$ 14,934,441</u>

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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## **2. CASH AND INVESTMENTS, Continued**

### *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 (5) percent or more of its total investments in a single issuer. More than five percent of the City's investments are with the "Middle School" Community Facilities District No. 1990-1.

### *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, 2017:

- 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

**City of Clayton**  
**Notes to Basic Financial Statements**  
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**2. CASH AND INVESTMENTS, Continued**

*Investment Fair Value, Continued*

of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**3. LOANS AND NOTES RECEIVABLE**

The following is a summary of loans and notes receivable of the City for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2017</u>
General Fund:				
Oak Street Bridge Assessment District Loan	\$ 11,940	\$ -	\$ (3,991)	\$ 7,949
Successor Agency Firestation Note	475,000	-	(475,000)	-
Total General Fund	<u>486,940</u>	<u>-</u>	<u>(478,991)</u>	<u>7,949</u>
Successor Housing Agency:				
Diamond Terrace P.A.M. Note	3,315,600	-	(86,400)	3,229,200
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>4,631,812</u>	<u>-</u>	<u>(86,400)</u>	<u>4,545,412</u>
Total Notes Receivable	<u>\$ 5,118,752</u>	<u>\$ -</u>	<u>\$ (565,391)</u>	<u>\$ 4,553,361</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, 2017, the outstanding balance due to the General Fund was \$7,949.

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



**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**3. LOANS AND NOTES RECEIVABLE, Continued**

1, 2023. The California Department of Finance 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 full balance of the 1999 Fire Station Note. Pursuant to 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 and accordingly had an outstanding balance of zero on June 30, 2017.

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 \$3,229,200 at June 30, 2017.

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, 2017, 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, 2017, 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, 2017**

**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). Pursuant to the California Department of Finance determination letter approving the 2017-18 Recognized Obligation Payment Schedule (ROPS) dated March 17, 2017, the loan will be repaid by the Successor Agency through the ROPS process in four (4) equal installments of \$148,103 commencing in the fiscal year ending June 20, 2018. The loan is non-interest bearing.

**4. INTERFUND TRANSACTIONS**

*Due To, Due From*

At June 30, 2017, 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	\$ 55,556	\$ 58,106
Total	\$ 2,550	\$ 55,556	\$ 58,106

General Fund cash flow loans totaling \$58,106 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, 2017:

Transfers out	Transfers in			Total
	General Fund	Capital Improvement Program	Non-major Governmental Funds	
Landscape Maintenance District	\$ 34,780	\$ -	\$ 1,008	\$ 35,788
Non-major Governmental Funds	72,620	389,552	-	462,172
Total	\$ 107,400	\$ 389,552	\$ 1,008	\$ 497,960

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**4. INTERFUND TRANSACTIONS, Continued**

*Interfund Transfers, Continued*

The City transferred \$107,400 into the General Fund from the following funds: Clayton Landscape Maintenance District (\$34,780) and non-major governmental funds (\$72,620) to reimburse the City for support activities. In addition, the City transferred \$389,552 from non-major governmental funds into the Capital Improvement Program (CIP) capital projects fund to defray capital project costs associated with the street-stabilization portion of the 2016 Arterial Rehabilitation Project (CIP project #10437) and the El Portal Rehabilitation project (CIP project #10439). The City also transferred \$1,008 to non-major governmental funds from the Landscape Maintenance District special revenue fund as a reimbursement for annual stormwater filing fees.

**5. CAPITAL ASSETS**

*Government-Wide Financial Statements*

As of June 30, 2017 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non depreciable Assets:</i>			
Land	\$ 2,086,965	\$ 167,738	\$ 2,254,703
Construction in progress	1,368,790	-	1,368,790
Total non depreciable assets	<u>3,455,755</u>	<u>167,738</u>	<u>3,623,493</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	1,421,703	5,024	1,426,727
Infrastructure	30,214,326	-	30,214,326
Total depreciable assets	43,870,498	1,565,347	45,435,845
Total accumulated depreciation	<u>(17,976,586)</u>	<u>(548,343)</u>	<u>(18,524,929)</u>
Depreciable assets, net	<u>25,893,912</u>	<u>1,017,004</u>	<u>26,910,916</u>
Total governmental activities capital assets, net	<u>\$ 29,349,667</u>	<u>\$ 1,184,742</u>	<u>\$ 30,534,409</u>

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**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, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Non depreciable Assets:</i>				
Land	\$ 2,086,965	\$ -	\$ -	\$ 2,086,965
Construction in progress	73,083	1,295,707	-	1,368,790
Total non depreciable assets	<u>2,160,048</u>	<u>1,295,707</u>	<u>-</u>	<u>3,455,755</u>
<i>Depreciable Assets:</i>				
Buildings	5,895,576	-	-	5,895,576
Improvements	6,338,893	-	-	6,338,893
Machinery and equipment	1,369,765	79,969	(28,031)	1,421,703
Infrastructure	30,214,326	-	-	30,214,326
Total depreciable assets	<u>43,818,560</u>	<u>79,969</u>	<u>(28,031)</u>	<u>43,870,498</u>
<i>Accumulated depreciation:</i>				
Buildings	(2,485,859)	(117,725)	-	(2,603,584)
Improvements	(2,104,008)	(194,431)	-	(2,298,439)
Machinery and Equipment	(1,035,617)	(90,075)	28,031	(1,097,661)
Infrastructure	(11,423,984)	(552,918)	-	(11,976,902)
Total accumulated depreciation	<u>(17,049,468)</u>	<u>(955,149)</u>	<u>28,031</u>	<u>(17,976,586)</u>
Depreciable assets, net	<u>26,769,092</u>	<u>(875,180)</u>	<u>-</u>	<u>25,893,912</u>
<b>Total governmental activities capital assets, net</b>	<u>\$ 28,929,140</u>	<u>\$ 420,527</u>	<u>\$ -</u>	<u>\$ 29,349,667</u>

For the year ending June 30, 2017 depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 47,455
Parks and recreation	229,885
Public safety	57,603
Public works	<u>620,206</u>
 Total depreciation expense	 <u>\$ 955,149</u>

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**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, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Non depreciable Assets:</i>				
Land	\$ 167,738	\$ -	\$ -	\$ 167,738
Total non depreciable assets	<u>167,738</u>	<u>-</u>	<u>-</u>	<u>167,738</u>
<i>Depreciable Assets:</i>				
Buildings	1,400,744	-	-	1,400,744
Improvements	159,579	-	-	159,579
Machinery and equipment	5,024	-	-	5,024
Total depreciable assets	<u>1,565,347</u>	<u>-</u>	<u>-</u>	<u>1,565,347</u>
<i>Accumulated depreciation:</i>				
Buildings	(394,862)	(28,334)	-	(423,196)
Improvements	(112,486)	(8,408)	-	(120,894)
Machinery and Equipment	<u>(3,738)</u>	<u>(515)</u>	<u>-</u>	<u>(4,253)</u>
Total accumulated depreciation	<u>(511,086)</u>	<u>(37,257)</u>	<u>-</u>	<u>(548,343)</u>
Depreciable assets, net	<u>1,054,261</u>	<u>(37,257)</u>	<u>-</u>	<u>1,017,004</u>
<b>Total business-type activities capital assets, net</b>	<u>\$ 1,221,999</u>	<u>\$ (37,257)</u>	<u>\$ -</u>	<u>\$ 1,184,742</u>

For the year ending June 30, 2017 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, 2017**

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**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, 2017:

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Compensated absences	\$ 140,892	\$ 179,146	\$ (161,664)	\$ 158,374

**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, 2017, the outstanding balance of the non-city bond obligation was \$2,400,000.

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

Lydia Lane Sewer Assessment District Bonds in the principal amount of \$228,325 were issued on August 5, 2002 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by sewer assessment district revenue. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$163,325.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**7. CONDUIT DEBT, Continued**

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

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 Local Obligations. As of June 30, 2017, the outstanding balance of the non-city bond obligation was \$2,240,000.

**8. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Expenditures in Excess of Appropriations*

At June 30, 2017, The Grove Park District and Oakhurst Geological Hazard and Abatement District non-major special revenue funds had expenditures in excess of appropriations of \$19,743 and \$9,200 respectively. Excess expenditures were covered by residual balances within the funds.

*Deficit Fund Equity*

At June 30, 2017, the following funds reported a 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 non-major special revenue fund is expected to be recovered from future revenues.

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**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, 2017, unearned revenues in the government-wide financial statements were as follows:

	Governmental Activities
Unearned revenue	
Business license renewals	\$ 41,630
Prepaid rental revenue	2,872
Total unearned revenue	\$ 44,502

At June 30, 2017 unearned revenues in the fund financial statements were as follows:

	General Fund	Total Governmental Funds
Unearned revenue		
Business license renewals	\$ 41,630	\$ 41,630
Prepaid rental revenue	2,872	2,872
Total unearned revenue	\$ 44,502	\$ 44,502

*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, 2017, deferred inflows of resources in the fund financial statements were as follows.

	General Fund	Successor Housing Agency	Total Governmental Funds
Deferred revenue			
Unavailable state-mandated program reimbursements	\$ 265,918	\$ -	\$ 265,918
Unavailable loans receivable	10,529	3,229,200	\$ 3,239,729
Total deferred revenue	\$ 276,447	\$ 3,229,200	\$ 3,505,647



**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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## **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 representative 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, 2017 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 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, 2017. 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. DEFINED BENEFIT PENSION PLAN**

### *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

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**11. DEFINED BENEFIT PENSION PLAN, Continued**

*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. The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous Pension Plan</b>		
	Tier I	Tier II	Tier III (PEPRA)*
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%
	<b>Safety Pension Plan</b>		
	Tier I	Tier II	Tier III (PEPRA)*
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, 2017**

**11. DEFINED BENEFIT PENSION PLAN, Continued**

*Employees Covered*

At June 30, 2017 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	28	1	-	24	-	-
Inactive employees entitled to but not yet receiving benefits	13	-	-	14	3	2
Active employees	10	4	3	5	-	5
Total	<u>51</u>	<u>5</u>	<u>3</u>	<u>43</u>	<u>3</u>	<u>7</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, 2017, the City's contractually required contributions, which are actuarially determined, were as follows:

Pension Plan	Employer Contributions		
	Normal Cost Percentage of Payroll	Unfunded Actuarial Liability	Total
Miscellaneous Tier I	\$ 46,951	\$ 130,107	\$ 177,058
Miscellaneous Tier II	19,385	-	19,385
Miscellaneous PEPRA	17,219	87	17,306
Public Safety Tier I	68,816	241,728	310,544
Public Safety Tier II	-	-	-
Public Safety PEPRA	48,560	824	49,384
Total	<u>\$ 200,931</u>	<u>\$ 372,746</u>	<u>\$ 573,677</u>

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**11. DEFINED BENEFIT PENSION PLAN, 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, 2017:

Pension Plan	Employer Contribution Rate	Employee Contribution Rate
Miscellaneous Tier I	8.377	7.000 <sup>1</sup>
Miscellaneous Tier II	7.159	7.000
Miscellaneous PEPRA	6.555	6.250
Public Safety Tier I	16.656	9.000 <sup>2</sup>
Public Safety Tier II	14.785	9.000
Public Safety PEPRA	12.082	11.500

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

<sup>2</sup> 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, 2017, the City reported total net pension liabilities for its proportionate share in both the Miscellaneous and Safety plans as follows:

Pension Plan	Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,871,968	0.0513%
Public Safety	2,541,389	0.0501%
Total	<u>\$ 4,413,357</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, 2016, using annual actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

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**11. DEFINED BENEFIT PENSION PLAN, Continued**

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

For the year ending June 30, 2017 the City recognized a total pension expense of \$165,271. At June 30, 2017 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	\$ 573,677	\$ -
Net differences between projected and actual earnings on pension plan investments	909,717	-
Change in employer's proportion	-	152,844
Changes in assumptions	-	181,270
Differences between actual and expected experiences	-	21,175
Differences between the employer's contributions and the employer's proportionate share of contributions	117,582	-
Total	\$ 1,600,976	\$ 355,289

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

Of the reported deferred outflows of resources, \$573,677 is 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, 2018 (measurement period ended June 30, 2017). 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
2018	\$ (10,519)
2019	20,858
2020	425,296
2021	236,375
2022	-
Thereafter	-
Total	\$ 672,010

**City of Clayton**  
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## **11. DEFINED BENEFIT PENSION PLAN, Continued**

### *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 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% 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% 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 fiscal year ending June 30, 2018. 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**  
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**11. DEFINED BENEFIT PENSION PLAN, 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 Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	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	1.00%	-0.55%	-1.05%
Total	100.00%		

(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 following actuarial assumptions and methods were used to calculate the total pension liability as of June 30, 2017:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016
Actuarial Cost Method	Entry-age normal cost method
Discount Rate	7.65%
Inflation	2.75%
Salary increase	Varies by entry age and service
Mortality	Derived using specific CalPERS membership data for all funds. Incorporates 20 years of mortality improvements using Society of Actuaries Scale BB. For more details please refer to the 2014 experience study report available on the CalPERS website.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 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 at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**City of Clayton**  
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**11. DEFINED BENEFIT PENSION PLAN, 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%, 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:

	Miscellaneous	Safety	Total
1% decrease	6.65%	6.65%	6.65%
Net pension liability	\$ 2,867,108	\$ 3,832,444	\$ 6,699,552
Current discount rate	7.65%	7.65%	7.65%
Net pension liability	\$ 1,871,968	\$ 2,541,389	\$ 4,413,357
1% increase	8.65%	8.65%	8.65%
Net pension liability	\$ 1,049,535	\$ 1,481,566	\$ 2,531,101

*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.



**City of Clayton**  
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## **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 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 \$121.60 per month as of June 30, 2017. For the fiscal year then ended there were six retired employees receiving retiree premium benefits. For the fiscal year ending June 30, 2017 the City contributed retiree premiums of \$9,036 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.

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

*Annual OPEB Cost and Net OPEB Obligation, Continued*

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		5,182
Adjustment to ARC		<u>(7,204)</u>
Annual OPEB Cost		<u>53,411</u>
Contributions made by the City		(9,036)
Contributions made by retirees		<u>(31,372)</u>
Total Contributions		<u>(40,408)</u>
Increase (decrease) in net OPEB obligation		13,003
Net OPEB obligation as of July 1, 2016		<u>129,544</u>
Net OPEB obligation as of June 30, 2017	\$	<u><u>142,547</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2017 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
2015	\$ 43,727	\$ 32,062	73.32%	\$ 99,656
2016	53,877	23,989	44.53%	129,544
2017	53,411	40,408	75.65%	142,547

**City of Clayton**  
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## **12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued**

### *Annual OPEB Cost and Net OPEB Obligation, Continued*

#### *Funded Status and Funding Progress*

As of the latest actuarial valuation with a measurement date of July 1, 2015, 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, 2017, 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.

## **13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES**

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

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### **13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued**

#### *Background, Continued*

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);
- 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.

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### **13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued**

#### *Background, Continued*

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 (DDRs) 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.

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.

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### **13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued**

#### *Background, Continued*

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. 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 \$258,471 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB IX 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor-Controller for distribution to taxing entities. See Note 2 for further information and disclosures regarding the City's pooled cash and investments.

##### Restricted Cash and Investments

Cash and investments with fiscal agents of \$541,932 at June 30, 2017 is restricted cash and investments designated for debt service payments.

#### *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, 2017, the outstanding balance of the loans due to the Successor Agency was \$116,204.

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**13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued**

*Inter-Agency Loans, Continued*

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. 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 fiscal year ending June 30, 2012 via the Supplemental Educational Revenue Augmentation Funds (SERAF). Pursuant to the California Department of Finance determination letter approving the 2017-18 Recognized Obligation Payment Schedule (ROPS) dated March 17, 2017, the loan will be repaid by the Successor Agency through the ROPS process in four (4) equal installments of \$148,103 commencing in the fiscal year ending June 20, 2018. The loan is non-interest bearing.

*Long-Term Debt*

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due in one year	Due in more than one year
2014 Refunding Tax Allocation Bonds	\$ 3,465,000	\$ -	\$ (330,000)	\$ 3,135,000	\$ 395,000	\$ 2,740,000
Total	\$ 3,465,000	\$ -	\$ (330,000)	\$ 3,135,000	\$ 395,000	\$ 2,740,000

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.

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**13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued**

*Long-Term Debt, Continued*

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 \$330,000 and \$75,900, respectively.

The annual debt service requirements to amortize the Successor Agency's 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	360,000	30,475	390,475
2023-2025	1,145,000	39,848	1,184,848
Total	\$ 3,135,000	\$ 284,799	\$ 3,419,799

**14. CONTINGENCIES**

*Contingent Losses*

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.

*Contingent Gains*

Downtown Vacant Lot

On January 31, 2013, the City Council approved a Purchase and Sale Agreement with the Clayton Community Church for the City's acquisition of an undeveloped parcel of real property, comprised of approximately 1.66 acres located in in the City's downtown area at



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**14. CONTINGENCIES, Continued**

*Contingent Gains, Continued*

6005 Main Street for the amount of \$1,000,000. This undeveloped land was acquired for the City to control and manage its development land use as one of the last remaining unimproved parcels of land in the downtown area, and has since been used as an essential open space for annual community events for which it was used prior to City acquisition as well.

On July 19, 2016, the City Council approved an exclusive negotiation agreement (ENA) with Pacific Union Land Investors, LLC (Pacific Union), for its prospective purchase and private development of several retail commercial stores and a senior care facility on property. The ENA specified an agreed-upon price of \$1,625,000 for the property, however, expired on December 1, 2016 absent the filing of a development application.

On March 7, 2017, the City Council approved a new ENA with Pacific Union involving the aforementioned undeveloped property. The terms of the new ENA specified a deadline of July 5, 2017 for Pacific Union to perform its due diligence, prepare and then file an Initial [Development] Application for a proposed project acceptable to the City. The contemplated land uses, subject to City acceptance for application processing, included a senior/memory care facility with limited commercial retail establishments or a multi-family residential project and related uses. The new ENA specified an agreed-upon price of \$1,700,000 for the property.

Subsequent to the year ended June 30, 2017, Pacific Union did not submit the required documentation by the specified deadline resulting in a termination to the ENA. Although an ENA was not in place as of the issuance of the financial statements for the year ended June 30, 2017, there is a reasonable possibility the City will recognize a gain following the eventual sale and development of this property.

The land was not acquired for investment purposes. Including underwriting and other closing costs, the final capitalized purchase price (cost) was \$1,040,599.

**City of Clayton**  
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**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, 2017 is as follows:

Fund Balance Classifications	Major Funds				Other Governmental Funds	Total
	General Fund	Landscape Maintenance District	Successor Housing Agency	Capital Improvement Program		
Nonspendable for:						
Investment in affordable housing	\$ -	\$ -	2,380,056	\$ -	\$ -	\$ 2,380,056
Notes receivable	60,686	-	1,316,212	-	-	1,376,898
Prepaid expenses	11,832	-	-	-	-	11,832
Total	<u>72,518</u>	<u>-</u>	<u>3,696,268</u>	<u>-</u>	<u>-</u>	<u>3,768,786</u>
Restricted for:						
Affordable housing	-	-	676,690	-	-	676,690
Public landscaping	-	698,297	-	-	-	698,297
Grant-funded programs	-	-	-	-	243,453	243,453
Geological hazard prevention and repair	-	-	-	-	23,965	23,965
The Grove Park (CFD 2006-1)	-	-	-	-	276,948	276,948
Stormwater compliance	-	-	-	-	20,295	20,295
Neighborhood street lighting	-	-	-	-	91,470	91,470
Transportation	-	-	-	-	91,353	91,353
Total	<u>-</u>	<u>698,297</u>	<u>676,690</u>	<u>-</u>	<u>747,484</u>	<u>2,122,471</u>
Committed for:						
Geological hazard prevention and repair	-	-	-	-	123,593	123,593
Development impact	-	-	-	-	370,648	370,648
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,241</u>	<u>494,241</u>
Assigned for:						
FY 2017-18 budget	415,239	397,786	54,270	-	967,986	1,835,281
Capital projects	-	-	-	1,606,900	-	1,606,900
Total	<u>415,239</u>	<u>397,786</u>	<u>54,270</u>	<u>1,606,900</u>	<u>967,986</u>	<u>3,442,181</u>
Unassigned	5,429,524	-	-	-	(2,550)	5,426,974
Total Fund Balance	<u>\$ 5,917,281</u>	<u>\$ 1,096,083</u>	<u>\$ 4,427,228</u>	<u>\$ 1,606,900</u>	<u>\$ 2,207,161</u>	<u>\$ 15,254,653</u>

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**15. EQUITY BALANCES, Continued**

*Governmental Fund Balances, Continued*

On February 3, 2016 the City Council approved the assignment and appropriation of \$389,895 in General Fund reserves arising from the surplus reported in 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 annual operating budget. At June 30, 2017, the balance of this assignment was \$220,167, which was rolled into next year's budget for the specified City Council-authorized purposes.

On February 21, 2017 the City Council approved the assignment and appropriation of \$204,902 in General Fund reserves arising from the surplus reported for the fiscal year ending June 30, 2016. Consistent with similar action taken in the prior year, 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, 2017, the balance of this assignment was \$195,072, which was rolled into next year's budget for the specified City Council-authorized purposes.

*Net Position*

The restricted component of net position includes assets subject to constraints either (1) externally imposed by creditors, 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, 2017 for governmental activities includes:

Restricted for community and economic development:	
Affordable housing	\$ 6,285,946
Restricted for public works:	
Public landscaping	698,297
Geological hazard prevention/repair	23,965
Stormwater compliance	20,295
Neighborhood street lighting	91,470
Transportation	91,353
Restricted for general government:	
Grand-funded programs	161,156
Restricted for parks:	
The Grove Park (CFD 2006-1)	276,948
Restricted for public safety:	
Grand-funded programs	82,297
Total restricted net position	\$ 7,731,727

**City of Clayton**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the audit opinion letter, which is the date the financial statements were available to be issued. The following subsequent events were noted:

New Street Sweeping Rates

On July 18, 2017 the City Council approved a contract amendment with CleanStreet authorizing an increase in current monthly billing rates. The approved increase was \$0.25 for monthly residential streets sweeping services and an equivalent pro-rata monthly rate increase on commercial trash and recycling billing accounts for monthly public street sweeping services as required by the City's NPDES Permit issued by the California Regional Water Quality Control Board. These rates are designed to defray the cost of providing mandated street sweeping for stormwater compliance programs within the City's Stormwater fund, a non-major special revenue fund.

El Molino Drive Sanitary Sewer Cooperative Agreement

On July 18, 2017 the City Council approved a cooperative agreement with the City of Concord concerning construction costs and reimbursable expenses on the El Molino Drive Sanitary Sewer Improvement Project (CIP project #10422). The agreement specifies that the City of Concord will reimburse the City of Clayton up to \$560,000, which is the estimated cost to complete the project with room for contingencies.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Clayton**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

**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)
<b>REVENUES</b>				
Property taxes	\$ 2,213,340	\$ 2,213,340	\$ 2,339,221	\$ 125,881
Sales and use taxes	464,400	464,400	455,387	(9,013)
Business licenses	136,000	136,000	135,866	(134)
Permits, licenses and fees	150,020	150,020	161,443	11,423
Fines, forfeitures and penalties	82,000	82,000	92,662	10,662
Intergovernmental	92,000	92,000	98,451	6,451
Other in-lieu fees	157,950	157,950	157,949	(1.00)
Franchise fees	517,010	517,010	541,138	24,128
Service charges	308,500	308,500	311,796	3,296
Use of money and property	60,000	60,000	35,326	(24,674)
Other revenue	12,000	12,000	18,186	6,186
<b>Total Revenues</b>	<u>4,193,220</u>	<u>4,193,220</u>	<u>4,347,425</u>	<u>154,205</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,147,350	1,250,487	1,178,444	72,043
Public works	251,280	276,098	249,006	27,092
Parks and recreation services	319,000	319,000	325,187	(6,187)
Community and economic development	296,420	296,420	288,962	7,458
Public safety	2,247,670	2,274,982	2,104,174	170,808
Capital Outlay	-	227,718.00	9,830	217,888
<b>Total Expenditures</b>	<u>4,261,720</u>	<u>4,644,705</u>	<u>4,155,603</u>	<u>489,102</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(68,500)</u>	<u>(451,485)</u>	<u>191,822</u>	<u>643,307</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	107,400	107,400	107,400	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>107,400</u>	<u>107,400</u>	<u>107,400</u>	<u>-</u>
<b>Change in fund balance</b>	<u>38,900</u>	<u>(344,085)</u>	<u>299,222</u>	
<b>FUND BALANCE</b>				
Beginning of year			<u>5,618,059</u>	
End of year			<u>\$ 5,917,281</u>	

**City of Clayton**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES</b>				
Special parcel tax	\$ 1,057,550	\$ 1,057,550	\$ 1,058,799	\$ 1,249
Use of money and property	6,000	6,000	3,393	(2,607)
<b>Total Revenues</b>	<b>1,063,550</b>	<b>1,063,550</b>	<b>1,062,192</b>	<b>(1,358)</b>
<b>EXPENDITURES</b>				
Current:				
Public works	787,560	836,560	839,348	(2,788)
Capital Outlay	409,000	427,200	77,739	349,461
<b>Total Expenditures</b>	<b>1,196,560</b>	<b>1,263,760</b>	<b>917,087</b>	<b>346,673</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(133,010)</b>	<b>(200,210)</b>	<b>145,105</b>	<b>345,315</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(35,692)	(35,692)	(35,788)	(96)
<b>Total Other Financing Sources (Uses)</b>	<b>(35,692)</b>	<b>(35,692)</b>	<b>(35,788)</b>	<b>(96)</b>
<b>Change in fund balance</b>	<b>\$ (168,702)</b>	<b>\$ (235,902)</b>	<b>109,317</b>	<b>\$ 345,219</b>
<b>FUND BALANCE</b>				
Beginning of year			986,766	
End of year			<b>\$ 1,096,083</b>	

**City of Clayton**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Program income	\$ 86,400	\$ 86,400	\$ 86,400	\$ -
Use of money and property	<u>8,000</u>	<u>8,000</u>	<u>65,741</u>	<u>57,741</u>
<b>Total Revenues</b>	<u>94,400</u>	<u>94,400</u>	<u>152,141</u>	<u>57,741</u>
<b>EXPENDITURES</b>				
Current:				
Community and economic development	<u>10,000</u>	<u>25,000</u>	<u>20,086</u>	<u>4,914</u>
<b>Total Expenditures</b>	<u>10,000</u>	<u>25,000</u>	<u>20,086</u>	<u>4,914</u>
<b>Revenues Over (Under) Expenditures</b>	<u>84,400</u>	<u>69,400</u>	<u>132,055</u>	<u>62,655</u>
<b>Change in fund balance</b>	<u>\$ 84,400</u>	<u>\$ 69,400</u>	<u>132,055</u>	<u>\$ 62,655</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>4,295,173</u>	
End of year			<u>\$ 4,427,228</u>	



**City of Clayton  
Required Supplementary Information  
For the year ended June 30, 2017**

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**Schedule of Proportionate Share of Net Pension Liability  
Last 10 Years\***

	Fiscal Year Ending June 30*		
	2015	2016	2017
Measurement Date	6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.030626%	0.052357%	0.051003%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,693,394	\$ 3,593,771	\$ 4,413,357
Plan's Covered-Employee Payroll**	\$ 1,963,054	\$ 1,706,509	\$ 1,820,066
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	188.145%	210.592%	242.483%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.597%	78.40%	74.06%

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

\*\* For the year ending on the measurement date.

**City of Clayton  
Required Supplementary Information  
For the year ended June 30, 2017**

**Schedule of Pension Plan Contributions  
Last 10 Years\***

	June 30		
	2015	2016	2017
Actuarially determined contributions*	\$ 375,647	\$ 530,677	\$ 573,677
Contributions in relation to the actuarially determined contribution	<u>375,647</u>	<u>530,677</u>	<u>573,677</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 1,706,509	\$ 1,820,066	\$ 1,909,028
Contributions as a percentage of covered-employee payroll	22.01%	29.16%	30.05%

\* Excludes employer-paid member contributions (EPMC)

\*\* For the fiscal year ending on the date shown

**Notes to Schedule:**

Valuation Date:

June 30, 2015

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 three years are shown.

**City of Clayton**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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**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%	1,706,509	-23.76%

**City of Clayton**  
**Notes to the Required Supplementary Information**  
**For the year ended June 30, 2017**

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## **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.

## **SUPPLEMENTARY INFORMATION**

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**City of Clayton**  
**Supplementary Information**  
**Major Governmental Fund Budgetary Comparison Schedule**  
**For the year ended June 30, 2017**

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

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 1,902,800	\$ 1,902,800	\$ 880,605	\$ (1,022,195)
Use of money and property	-	-	6,053	6,053
Other revenue	-	-	12,000	12,000
<b>Total Revenues</b>	<u>1,902,800</u>	<u>1,902,800</u>	<u>898,658</u>	<u>(1,004,142)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>2,919,565</u>	<u>2,919,565</u>	<u>1,278,987</u>	<u>1,640,578</u>
<b>Total Expenditures</b>	<u>2,919,565</u>	<u>2,919,565</u>	<u>1,278,987</u>	<u>1,640,578</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(1,016,765)</u>	<u>(1,016,765)</u>	<u>(380,329)</u>	<u>636,436</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,060,265	1,060,265	389,552	(670,713)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,060,265</u>	<u>1,060,265</u>	<u>389,552</u>	<u>(670,713)</u>
<b>Change in fund balance</b>	<u>\$ 43,500</u>	<u>\$ 43,500</u>	9,223	<u>\$ (34,277)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>1,597,677</u>	
End of year			<u>\$ 1,606,900</u>	

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# NON-MAJOR GOVERNMENTAL FUNDS

## Non-Major Special Revenue Funds:

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

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

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

*The Grove Park District* - Accounts for voter-approved real property special parcel taxes restricted for the operation, maintenance, repair and replacement landscaping, irrigation, hardscaping, lighting, public restroom, gazebo, and playground equipment for "The Grove Park" in the downtown area.

*Measure J* - Accounts for a \$0.05 sales tax extended by voters in 2004 to provide transportation and street improvements, a growth management process, and a regional planning process to address quality of life issues. A portion of their county wide voter-approved tax is returned to local governments.

*Neighborhood Street Lighting District* - Accounts for assessments collected to maintain residential street lighting within the defined benefit assessment district boundaries.

*Oakhurst Geological Hazard Abatement District* - Accounts for voter-approved real property assessments collected from Oakhurst parcels to provide preventive maintenance measures and to mitigate potential landslides and other hazardous geological conditions within the benefit assessment district boundaries.

*Presley Settlement* - Accounts for litigation settlement proceeds restricted for specific programs and projects.

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

*Stormwater Treatment Assessment District* - 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**  
**Supplementary Information**  
**Combining Balance Sheets - Non-major Governmental Funds**  
**June 30, 2017**

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park District
<b>ASSETS</b>				
Cash and investments	\$ 581,728	\$ 236,435	\$ 340,058	\$ 273,354
Accounts receivable	-	-	16,194	7,934
Taxes Receivable	-	-	-	-
Prepaid expenses	-	-	147	-
<b>Total Assets</b>	<b>\$ 581,728</b>	<b>\$ 236,435</b>	<b>\$ 356,399</b>	<b>\$ 281,288</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 7,746	\$ 1,049	\$ 4,090
Other payables	-	-	2,526	250
Due to other funds	-	-	-	-
Advance from other funds	2,580	-	-	-
<b>Total Liabilities</b>	<b>2,580</b>	<b>7,746</b>	<b>3,575</b>	<b>4,340</b>
Fund Balance:				
Restricted	-	60,651	243,453	276,948
Committed	370,648	-	-	-
Assigned	208,500	168,038	109,371	-
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<b>579,148</b>	<b>228,689</b>	<b>352,824</b>	<b>276,948</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 581,728</b>	<b>\$ 236,435</b>	<b>\$ 356,399</b>	<b>\$ 281,288</b>

Special Revenue

Measure J	Neighborhood Street Lighting District	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment Assessment District	Total Other Governmental Funds
\$ 142,417	\$ 123,123	\$ 25,944	\$ 123,593	\$ 55,843	\$ -	\$ 1,902,495
282,047	-	-	-	42,444	-	348,619
-	-	-	-	-	-	-
-	-	-	-	-	-	147
<u>\$ 424,464</u>	<u>\$ 123,123</u>	<u>\$ 25,944</u>	<u>\$ 123,593</u>	<u>\$ 98,287</u>	<u>\$ -</u>	<u>\$ 2,251,261</u>
\$ -	\$ 14,274	\$ 1,979	\$ -	\$ 7,056	\$ -	\$ 36,194
-	-	-	-	-	-	2,776
-	-	-	-	-	2,550	2,550
-	-	-	-	-	-	2,580
<u>-</u>	<u>14,274</u>	<u>1,979</u>	<u>-</u>	<u>7,056</u>	<u>2,550</u>	<u>44,100</u>
30,702	91,470	23,965	-	20,295	-	747,484
-	-	-	123,593	-	-	494,241
393,762	17,379	-	-	70,936	-	967,986
-	-	-	-	-	(2,550)	(2,550)
<u>424,464</u>	<u>108,849</u>	<u>23,965</u>	<u>123,593</u>	<u>91,231</u>	<u>(2,550)</u>	<u>2,207,161</u>
<u>\$ 424,464</u>	<u>\$ 123,123</u>	<u>\$ 25,944</u>	<u>\$ 123,593</u>	<u>\$ 98,287</u>	<u>\$ -</u>	<u>\$ 2,251,261</u>

**City of Clayton**  
**Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds - For the year ended June 30, 2017**

	Special Revenue			
	Development Impact Fees	Gas Tax	Grants	The Grove Park District
<b>REVENUES</b>				
Special parcel taxes and assessments	\$ -	\$ 35,134	\$ -	\$ 126,494
Permits, licenses and fees	2,082	-	-	2,781
Intergovernmental	-	221,073	192,625	-
Use of money and property	2,509	1,303	1,550	756
Other revenue	-	-	-	10,000
<b>Total Revenues</b>	<b>4,591</b>	<b>257,510</b>	<b>194,175</b>	<b>140,031</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	16,162	-
Public works	-	124,437	-	-
Parks and recreation services	-	-	-	133,107
Community and economic development	-	-	-	-
Public safety	36,657	-	125,014	-
Capital Outlay	-	-	22,899	11,563
<b>Total Expenditures</b>	<b>36,657</b>	<b>124,437</b>	<b>164,075</b>	<b>144,670</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(32,066)</b>	<b>133,073</b>	<b>30,100</b>	<b>(4,639)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(13,230)	-	(7,070)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(13,230)</b>	<b>-</b>	<b>(7,070)</b>
<b>Net change in fund balances</b>	<b>(32,066)</b>	<b>119,843</b>	<b>30,100</b>	<b>(11,709)</b>
<b>FUND BALANCES</b>				
Beginning of year	611,214	108,846	322,724	288,657
End of year	<u>\$ 579,148</u>	<u>\$ 228,689</u>	<u>\$ 352,824</u>	<u>\$ 276,948</u>

Special Revenue						
Measure J	Neighborhood Street Lighting District	Oakhurst Geological Hazard Abatement District	Presley Settlement	Stormwater Assessment	Stormwater Treatment Assessment District	Total Other Governmental Funds
\$ -	\$ 125,991	\$ 38,399	\$ -	\$ 81,088	\$ -	\$ 407,106
-	-	-	-	42,720	-	47,583
313,934	-	-	-	-	-	727,632
885	311	(112)	493	2	-	7,697
-	-	-	-	-	-	10,000
<u>314,819</u>	<u>126,302</u>	<u>38,287</u>	<u>493</u>	<u>123,810</u>	<u>-</u>	<u>1,200,018</u>
-	-	-	-	-	-	16,162
24,160	130,742	32,999	-	119,300	-	431,638
-	-	-	-	-	-	133,107
-	-	-	-	-	-	-
-	-	-	-	-	-	161,671
-	-	8,581	-	-	-	43,043
<u>24,160</u>	<u>130,742</u>	<u>41,580</u>	<u>-</u>	<u>119,300</u>	<u>-</u>	<u>785,621</u>
<u>290,659</u>	<u>(4,440)</u>	<u>(3,293)</u>	<u>493</u>	<u>4,510</u>	<u>-</u>	<u>414,397</u>
-	-	-	-	1,008	-	1,008
<u>(387,882)</u>	<u>(11,120)</u>	<u>(6,980)</u>	<u>-</u>	<u>(35,890)</u>	<u>-</u>	<u>(462,172)</u>
<u>(387,882)</u>	<u>(11,120)</u>	<u>(6,980)</u>	<u>-</u>	<u>(34,882)</u>	<u>-</u>	<u>(461,164)</u>
<u>(97,223)</u>	<u>(15,560)</u>	<u>(10,273)</u>	<u>493</u>	<u>(30,372)</u>	<u>-</u>	<u>(46,767)</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>
<u>\$ 424,464</u>	<u>\$ 108,849</u>	<u>\$ 23,965</u>	<u>\$ 123,593</u>	<u>\$ 91,231</u>	<u>\$ (2,550)</u>	<u>\$ 2,207,161</u>

**City of Clayton**  
**Supplementary Information**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Comparison Schedule - Development Impact Fees**

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES</b>				
Permits, licenses and fees	\$ -	\$ -	\$ 2,082	\$ 2,082
Use of money and property	8,000	8,000	2,509	(5,491)
<b>Total Revenues</b>	8,000	8,000	4,591	(3,409)
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	36,657	(36,657)
Capital Outlay	75,180	75,180	-	75,180
<b>Total Expenditures</b>	75,180	75,180	36,657	38,523
<b>Revenues Over (Under) Expenditures</b>	(67,180)	(67,180)	(32,066)	35,114
<b>Change in fund balance</b>	\$ (67,180)	\$ (67,180)	(32,066)	\$ 35,114
<b>FUND BALANCE</b>				
Beginning of year			611,214	
End of year			\$ 579,148	

**City of Clayton  
Supplementary Information  
Non-Major Governmental Funds  
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budgetary Comparison Schedule - Gas Tax**

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES</b>				
Special parcel taxes and assessments	\$ 32,400	\$ 32,400	\$ 35,134	\$ 2,734
Intergovernmental	237,239	237,239	221,073	(16,166)
Use of money and property	2,000	2,000	1,303	(697)
<b>Total Revenues</b>	271,639	271,639	257,510	(14,129)
<b>EXPENDITURES</b>				
Public works	130,040	130,040	124,437	5,603
<b>Total Expenditures</b>	130,040	130,040	124,437	5,603
<b>Revenues Over (Under) Expenditures</b>	141,599	141,599	133,073	(8,526)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(276,259)	(276,259)	(13,230)	263,029
<b>Total Other Financing Sources (Uses)</b>	(276,259)	(276,259)	(13,230)	263,029
<b>Change in fund balance</b>	\$ (134,660)	\$ (134,660)	119,843	\$ 254,503
<b>FUND BALANCE</b>				
Beginning of year			108,846	
End of year			\$ 228,689	

**City of Clayton**  
**Supplementary Information**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

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

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 123,100	\$ 123,100	\$ 192,625	\$ 69,525
Use of money and property	2,840	2,840	1,550	(1,290)
<b>Total Revenues</b>	<u>125,940</u>	<u>125,940</u>	<u>194,175</u>	<u>68,235</u>
<b>EXPENDITURES</b>				
Current:				
General government	17,126	17,126	16,162	964
Public safety	124,132	124,132	125,014	(882)
Capital outlay	106,953	106,953	22,899	84,054
<b>Total Expenditures</b>	<u>248,211</u>	<u>248,211</u>	<u>164,075</u>	<u>84,136</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(122,271)</u>	<u>(122,271)</u>	<u>30,100</u>	<u>152,371</u>
<b>Change in fund balance</b>	<u>\$ (122,271)</u>	<u>\$ (122,271)</u>	<u>30,100</u>	<u>\$ 152,371</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>322,724</u>	
End of year			<u>\$ 352,824</u>	



**City of Clayton  
Supplementary Information  
Non-Major Governmental Funds  
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budgetary Comparison Schedule - The Grove Park District**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Special parcel taxes and assessments	\$ 126,350	\$ 126,350	\$ 126,494	\$ 144
Permits, licenses and fees	1,000	1,000	2,781	1,781
Use of money and property	3,200	3,200	756	(2,444)
Other revenue	10,000	10,000	10,000	-
<b>Total Revenues</b>	<u>140,550</u>	<u>140,550</u>	<u>140,031</u>	<u>(519)</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation services	103,427	124,927	133,107	(8,180)
Capital Outlay	-	-	11,563	(11,563)
<b>Total Expenditures</b>	<u>103,427</u>	<u>124,927</u>	<u>144,670</u>	<u>(19,743)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>37,123</u>	<u>15,623</u>	<u>(4,639)</u>	<u>(20,262)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(7,070)</u>	<u>(7,070)</u>	<u>(7,070)</u>	-
<b>Total Other Financing Sources (Uses)</b>	<u>(7,070)</u>	<u>(7,070)</u>	<u>(7,070)</u>	-
<b>Change in fund balance</b>	<u>\$ 30,053</u>	<u>\$ 8,553</u>	<u>(11,709)</u>	<u>\$ (20,262)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>288,657</u>	
End of year			<u>\$ 276,948</u>	

**City of Clayton**  
**Supplementary Information**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Comparison Schedule - Measure J**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 1,508,322	\$ 1,508,322	\$ 313,934	\$ (1,194,388)
Use of money and property	750	750	885	135
<b>Total Revenues</b>	<u>1,509,072</u>	<u>1,509,072</u>	<u>314,819</u>	<u>(1,194,253)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>25,500</u>	<u>25,500</u>	<u>24,160</u>	<u>1,340</u>
<b>Total Expenditures</b>	<u>25,500</u>	<u>25,500</u>	<u>24,160</u>	<u>1,340</u>
<b>Revenues Over (Under) Expenditures</b>	<u>1,483,572</u>	<u>1,483,572</u>	<u>290,659</u>	<u>(1,192,913)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	<u>(1,995,566)</u>	<u>(1,995,566)</u>	<u>(387,882)</u>	<u>1,607,684</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,995,566)</u>	<u>(1,995,566)</u>	<u>(387,882)</u>	<u>1,607,684</u>
<b>Change in fund balance</b>	<u>\$ (511,994)</u>	<u>\$ (511,994)</u>	<u>(97,223)</u>	<u>\$ 414,771</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>521,687</u>	
End of year			<u>\$ 424,464</u>	

**City of Clayton  
Supplementary Information  
Non-Major Governmental Funds  
For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budgetary Comparison Schedule - Neighborhood Street Lighting District**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Special parcel taxes and assessments	\$ 125,991	\$ 125,991	\$ 125,991	\$ -
Use of money and property	1,800	1,800	311	(1,489)
<b>Total Revenues</b>	<u>127,791</u>	<u>127,791</u>	<u>126,302</u>	<u>(1,489)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>132,110</u>	<u>132,110</u>	<u>130,742</u>	<u>1,368</u>
<b>Total Expenditures</b>	<u>132,110</u>	<u>132,110</u>	<u>130,742</u>	<u>1,368</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(4,319)</u>	<u>(4,319)</u>	<u>(4,440)</u>	<u>(121)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(11,120)</u>	<u>(11,120)</u>	<u>(11,120)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(11,120)</u>	<u>(11,120)</u>	<u>(11,120)</u>	<u>-</u>
<b>Change in fund balance</b>	<u>\$ (15,439)</u>	<u>\$ (15,439)</u>	<u>(15,560)</u>	<u>\$ (121)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>124,409</u>	
End of year			<u>\$ 108,849</u>	

**City of Clayton**  
**Supplementary Information**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Comparison Schedule - Oakhurst Geological Hazard and Abatement District**

	<u>Adopted</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance from</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Special parcel taxes and assessments	\$ 38,424	\$ 38,424	\$ 38,399	\$ (25)
Use of money and property	250	250	(112)	(362)
<b>Total Revenues</b>	<u>38,674</u>	<u>38,674</u>	<u>38,287</u>	<u>(387)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	22,380	22,380	32,999	(10,619)
Capital Outlay	10,000	10,000	8,581	1,419
<b>Total Expenditures</b>	<u>32,380</u>	<u>32,380</u>	<u>41,580</u>	<u>(9,200)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>6,294</u>	<u>6,294</u>	<u>(3,293)</u>	<u>(9,587)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(6,980)	(6,980)	(6,980)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(6,980)</u>	<u>(6,980)</u>	<u>(6,980)</u>	<u>-</u>
<b>Change in fund balance</b>	<u>\$ (686)</u>	<u>\$ (686)</u>	(10,273)	<u>\$ (9,587)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>34,238</u>	
End of year			<u>\$ 23,965</u>	

**City of Clayton**  
**Supplementary Information**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Comparison Schedule - Presley Settlement**

	<u>Adopted</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance from</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Use of money and property	\$ 1,500	\$ 1,500	\$ 493	\$ (1,007)
<b>Total Revenues</b>	<u>1,500</u>	<u>1,500</u>	<u>493</u>	<u>(1,007)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	-	-
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>1,500</u>	<u>1,500</u>	<u>493</u>	<u>(1,007)</u>
<b>Change in fund balance</b>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>493</u>	<u>\$ (1,007)</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>123,100</u>	
End of year			<u>\$ 123,593</u>	

**City of Clayton**  
**Supplementary Information**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Comparison Schedule - Stormwater Assessment District**

	<u>Adopted</u>	<u>Final</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>		
<b>REVENUES</b>				
Special parcel taxes and assessments	\$ 81,943	\$ 81,943	\$ 81,088	\$ (855)
Permits, licenses and fees	40,686	40,686	42,720	2,034
Use of money and property	1,500	1,500	2	(1,498)
<b>Total Revenues</b>	<u>124,129</u>	<u>124,129</u>	<u>123,810</u>	<u>(319)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>180,890</u>	<u>180,890</u>	<u>119,300</u>	<u>61,590</u>
<b>Total Expenditures</b>	<u>180,890</u>	<u>180,890</u>	<u>119,300</u>	<u>61,590</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(56,761)</u>	<u>(56,761)</u>	<u>4,510</u>	<u>61,271</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	912	912	1,008	96.00
Transfers out	<u>(35,890)</u>	<u>(35,890)</u>	<u>(35,890)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(34,978)</u>	<u>(34,978)</u>	<u>(34,882)</u>	<u>96.00</u>
<b>Change in fund balance</b>	<u>\$ (91,739)</u>	<u>\$ (91,739)</u>	<u>(30,372)</u>	<u>\$ 61,367</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>121,603</u>	
End of year			<u>\$ 91,231</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**  
**Supplementary Information**  
**Combining Statement of Net Position – Internal Service Funds**  
**June 30, 2017**

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	<u>Capital Equipment Replacement</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 147,223	\$ 48,638	\$ 195,861
Noncurrent Assets:			
Depreciable assets, net	<u>324,042</u>	<u>-</u>	<u>324,042</u>
<b>Total Asset</b>	<u>471,265</u>	<u>48,638</u>	<u>519,903</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	324,042	-	324,042
Unrestricted	<u>147,223</u>	<u>48,638</u>	<u>195,861</u>
<b>Total Net Position</b>	<u><u>\$ 471,265</u></u>	<u><u>\$ 48,638</u></u>	<u><u>\$ 519,903</u></u>



**City of Clayton**  
**Supplementary Information**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds - For the year ended June 30, 2017**

	Capital Equipment Replacement	Self- Insurance	Total
<b>OPERATING REVENUES</b>			
Charges for current services	\$ 47,215	\$ -	\$ 47,215
<b>Total Operating Revenues</b>	<u>47,215</u>	<u>-</u>	<u>47,215</u>
<b>OPERATING EXPENSES</b>			
General and administrative	-	5,387	5,387
Depreciation and amortization	90,075	-	90,075
<b>Total Operating Expenses</b>	<u>90,075</u>	<u>5,387</u>	<u>95,462</u>
<b>Operating Income (Loss)</b>	(42,860)	(5,387)	(48,247)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Gain on disposal of assets	1,624	-	1,624
Investment income (loss)	838	153	991
<b>Total Nonoperating Revenues (Expenses)</b>	<u>2,462</u>	<u>153</u>	<u>2,615</u>
<b>Change in Net Position</b>	(40,398)	(5,234)	(45,632)
<b>NET POSITION:</b>			
Beginning of fiscal year	511,663	53,872	565,535
End of fiscal year	<u>\$ 471,265</u>	<u>\$ 48,638</u>	<u>\$ 519,903</u>

**City of Clayton**  
**Supplementary Information**  
**Combining Statement of Cash Flows - Internal Service Funds**  
**For the year ended June 30, 2017**

	Capital Equipment Replacement	Self- Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipt from customers/other funds	\$ 47,215	\$ -	\$ 47,215
Cash payment to suppliers for good and services	-	(5,387)	(5,387)
<b>Net cash provided (used) by operating activities</b>	<u>47,215</u>	<u>(5,387)</u>	<u>41,828</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of fixed assets	(79,970)	-	(79,970)
Capital contributions	-	-	-
Gain on sale of assets	1,624	-	1,624
Other income	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(78,346)</u>	<u>-</u>	<u>(78,346)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	839	153	992
<b>Net Cash provided (used) by investing activities</b>	<u>839</u>	<u>153</u>	<u>992</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(30,292)	(5,234)	(35,526)
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of fiscal year	177,515	53,872	231,387
End of fiscal year	<u>\$ 147,223</u>	<u>\$ 48,638</u>	<u>\$ 195,861</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (42,860)	\$ (5,387)	\$ (48,247)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	90,075	-	90,075
<b>Net cash provided (used) by operating activities</b>	<u>\$ 47,215</u>	<u>\$ (5,387)</u>	<u>\$ 41,828</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 Bonds* - 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.

*Deposits*- Represents funds held for: performance 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* - Accounts for special parcel taxes restricted to repay 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**  
**Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**For the year ended June 30, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Clayton Financing Authority</u>				
<b>Assets:</b>				
Cash and investments	\$ 714,087	\$ 10,203	\$ (7,341)	\$ 716,949
<b>Total Assets</b>	<b>\$ 714,087</b>	<b>\$ 10,203</b>	<b>\$ (7,341)</b>	<b>\$ 716,949</b>
<b>Liabilities:</b>				
Other liabilities	\$ 714,087	\$ 2,862	\$ -	\$ 716,949
<b>Total Liabilities</b>	<b>\$ 714,087</b>	<b>\$ 2,862</b>	<b>\$ -</b>	<b>\$ 716,949</b>
<u>Clayton Financing Authority 2007 Refunding Bonds</u>				
<b>Assets:</b>				
Cash and investments	\$ 120,679	\$ 10,617	\$ (10,197)	\$ 121,099
Cash with fiscal agent	429,838	482,416	(507,219)	405,035
Accounts receivable	58,900	-	(6,876)	52,024
Investment in bonds	2,716,000	-	(316,000)	2,400,000
<b>Total Assets</b>	<b>\$ 3,325,417</b>	<b>\$ 493,033</b>	<b>\$ (840,292)</b>	<b>\$ 2,978,158</b>
<b>Liabilities:</b>				
Other liabilities	\$ 760,417	\$ -	\$ (22,259)	\$ 738,158
Due to bondholders	2,565,000	-	(325,000)	2,240,000
<b>Total Liabilities</b>	<b>\$ 3,325,417</b>	<b>\$ -</b>	<b>\$ (347,259)</b>	<b>\$ 2,978,158</b>
<u>Deposits</u>				
<b>Assets:</b>				
Cash and investments	\$ 886,520	\$ 389,361	\$ (459,837)	\$ 816,044
<b>Total Assets</b>	<b>\$ 886,520</b>	<b>\$ 389,361</b>	<b>\$ (459,837)</b>	<b>\$ 816,044</b>
<b>Liabilities:</b>				
Accounts payable	\$ 14,769	\$ 400,662	\$ (414,468)	\$ 963
Deposits payable	871,751	405,103	(461,773)	815,081
<b>Total Liabilities</b>	<b>\$ 886,520</b>	<b>\$ 805,765</b>	<b>\$ (876,241)</b>	<b>\$ 816,044</b>
<u>Diablo Estates Benefit Assessment District</u>				
<b>Assets:</b>				
Cash and investments	\$ 83,696	\$ 81,100	\$ (64,220)	\$ 100,576
<b>Total Assets</b>	<b>\$ 83,696</b>	<b>\$ 81,100</b>	<b>\$ (64,220)</b>	<b>\$ 100,576</b>
<b>Liabilities:</b>				
Accounts payable	\$ 12	\$ 63,419	\$ (61,035)	\$ 2,396
Other liabilities	83,684	14,496	-	98,180
<b>Total Liabilities</b>	<b>\$ 83,696</b>	<b>\$ 77,915</b>	<b>\$ (61,035)</b>	<b>\$ 100,576</b>

**City of Clayton**  
**Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**For the year ended June 30, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>High Street Bridge Benefit Assessment District</u>				
<b>Assets:</b>				
Cash and investments	\$ 5,297	\$ 2,076	\$ (1,750)	\$ 5,623
Assessments receivable	18,821	-	(1,454)	17,367
<b>Total Assets</b>	<b>\$ 24,118</b>	<b>\$ 2,076</b>	<b>\$ (3,204)</b>	<b>\$ 22,990</b>
<b>Liabilities:</b>				
Accounts payable	\$ 5,297	\$ 326	\$ -	\$ 5,623
Notes payable	18,821	-	(1,454)	17,367
<b>Total Liabilities</b>	<b>\$ 24,118</b>	<b>\$ 326</b>	<b>\$ (1,454)</b>	<b>\$ 22,990</b>
<u>Lydia Lane Sewer Benefit Assessment District</u>				
<b>Assets:</b>				
Cash and investments	\$ 66,164	\$ 18,062	\$ (18,793)	\$ 65,433
Cash with fiscal agent	12,804	9	-	12,813
Assessments receivable	168,325	-	(5,000)	163,325
<b>Total Assets</b>	<b>\$ 247,293</b>	<b>\$ 18,071</b>	<b>\$ (23,793)</b>	<b>\$ 241,571</b>
<b>Liabilities:</b>				
Other liabilities	\$ 78,968	\$ -	\$ (722)	\$ 78,246
Due to bondholders	168,325	-	(5,000)	163,325
<b>Total Liabilities</b>	<b>\$ 247,293</b>	<b>\$ -</b>	<b>\$ (5,722)</b>	<b>\$ 241,571</b>
<u>Middle School Community Facilities District</u>				
<b>Assets:</b>				
Cash and investments	\$ 397,985	\$ 404,823	\$ (438,249)	\$ 364,559
Assessments receivable	2,716,000	-	(316,000)	2,400,000
<b>Total Assets</b>	<b>\$ 3,113,985</b>	<b>\$ 404,823</b>	<b>\$ (754,249)</b>	<b>\$ 2,764,559</b>
<b>Liabilities:</b>				
Other liabilities	\$ 397,985	\$ -	\$ (33,426)	\$ 364,559
Due to bondholders	2,716,000	-	(316,000)	2,400,000
<b>Total Liabilities</b>	<b>\$ 3,113,985</b>	<b>\$ -</b>	<b>\$ (349,426)</b>	<b>\$ 2,764,559</b>
<u>Oak Street Bridge Benefit Assessment District</u>				
<b>Assets:</b>				
Cash and investments	\$ 24,991	\$ 6,436	\$ (16,800)	\$ 14,627
Assessments receivable	11,940	-	(3,991)	7,949
<b>Total Assets</b>	<b>\$ 36,931</b>	<b>\$ 6,436</b>	<b>\$ (20,791)</b>	<b>\$ 22,576</b>
<b>Liabilities:</b>				
Other liabilities	\$ 24,991	\$ -	\$ (10,364)	\$ 14,627
Notes payable	11,940	-	(3,991)	7,949
<b>Total Liabilities</b>	<b>\$ 36,931</b>	<b>\$ -</b>	<b>\$ (14,355)</b>	<b>\$ 22,576</b>

**City of Clayton**  
**Supplementary Information**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**For the year ended June 30, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Oak Street Sewer Benefit Assessment District</u>				
<b>Assets:</b>				
Cash and investments	\$ 4,189	\$ 10,420	\$ (11,840)	\$ 2,769
Assessments receivable	108,223	-	(9,386)	98,837
<b>Total Assets</b>	<b>\$ 112,412</b>	<b>\$ 10,420</b>	<b>\$ (21,226)</b>	<b>\$ 101,606</b>
<b>Liabilities:</b>				
Other liabilities	\$ 4,189	\$ -	\$ (1,420)	\$ 2,769
Notes payable	108,223	-	(9,386)	98,837
<b>Total Liabilities</b>	<b>\$ 112,412</b>	<b>\$ -</b>	<b>\$ (10,806)</b>	<b>\$ 101,606</b>
<b><u>Total - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,303,608	\$ 933,098	\$ (1,029,027)	\$ 2,207,679
Cash with fiscal agent	442,642	482,425	(507,219)	417,848
Assessments receivable	3,023,309	-	(335,831)	2,687,478
Accounts receivable	58,900	-	(6,876)	52,024
Investments in bonds	2,716,000	-	(316,000)	2,400,000
<b>Total Assets</b>	<b>\$ 8,544,459</b>	<b>\$ 1,415,523</b>	<b>\$ (2,194,953)</b>	<b>\$ 7,765,029</b>
<b>Liabilities:</b>				
Accounts payable	\$ 20,078	\$ 464,407	\$ (475,503)	\$ 8,982
Other liabilities	2,064,321	17,358	(68,191)	2,013,488
Deposits payable	871,751	405,103	(461,773)	815,081
Notes payable	138,984	-	(14,831)	124,153
Due to bondholders	5,449,325	-	(646,000)	4,803,325
<b>Total Liabilities</b>	<b>\$ 8,544,459</b>	<b>\$ 886,868</b>	<b>\$ (1,666,298)</b>	<b>\$ 7,765,029</b>

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# STATISTICAL SECTION

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# STATISTICAL SECTION

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<p>These schedules contain information to help the reader assess the City’s most significant local revenue sources.</p>	
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**City of Clayton**  
**Statistical Section**  
**Net Position by Component - Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<b>Fiscal Year Ending June 30</b>			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 14,813,000	\$ 17,543,027	\$ 19,239,151	\$ 20,953,220
Restricted	15,892,648	20,161,280	19,459,887	6,240,370
Unrestricted	6,572,695	3,839,703	2,458,228	14,935,201
<b>Total governmental activities net position</b>	<u>37,278,343</u>	<u>41,544,010</u>	<u>41,157,266</u>	<u>42,128,791</u>
Business-type activities:				
Net investment in capital assets	1,330,098	1,299,348	1,431,018	1,394,950
Restricted	-	-	-	-
Unrestricted	(750)	(38,773)	(14,778)	(111,680)
<b>Total business-type activities net position</b>	<u>1,329,348</u>	<u>1,260,575</u>	<u>1,416,240</u>	<u>1,283,270</u>
Primary government:				
Net investment in capital assets	16,143,098	18,842,375	20,670,169	22,348,170
Restricted	15,892,648	20,161,280	19,459,887	6,240,370
Unrestricted	6,571,945	3,800,930	2,443,450	14,823,521
<b>Total primary government net position</b>	<u>\$ 38,607,691</u>	<u>\$ 42,804,585</u>	<u>\$ 42,573,506</u>	<u>\$ 43,412,061</u>

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<b>Fiscal Year Ending June 30</b>					
2012	2013	2014	2015	2016	2017
\$ 28,330,852	\$ 29,988,389	\$ 29,344,437	\$ 28,653,515	\$ 28,929,140	\$ 29,349,667
6,775,688	5,071,942	3,470,831	2,024,193	7,783,815	7,731,727
5,034,855	4,829,960	6,306,416	4,781,508	7,028,670	7,835,030
<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>	<u>44,916,424</u>
1,358,883	1,322,815	1,286,748	1,250,681	1,221,999	1,184,742
-	-	-	-	-	-
<u>(121,193)</u>	<u>(130,382)</u>	<u>(49,038)</u>	<u>(44,572)</u>	<u>(56,305)</u>	<u>(64,190)</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>	<u>1,120,552</u>
29,689,735	31,311,204	30,631,185	29,904,196	30,151,139	30,534,409
6,775,688	5,071,942	3,470,831	2,024,193	7,783,815	7,731,727
4,913,662	4,699,578	6,257,378	4,736,936	6,972,365	7,770,840
<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>	<u>\$ 46,036,976</u>

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

	Fiscal Year			
	2008	2009	2010	2011
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,401,451	\$ 1,030,448	\$ 3,644,725	\$ 1,583,367
Public works	1,231,018	992,167	1,179,815	2,834,516
Parks and recreation services	739,462	603,003	471,758	884,095
Community and economic development	1,610,346	2,382,781	3,845,209	2,476,713
Public safety	1,822,689	1,790,980	1,864,978	1,841,028
Interest and fiscal charges	796,518	588,253	591,236	414,113
<b>Total governmental activities expenses</b>	<u>7,601,484</u>	<u>7,387,632</u>	<u>11,597,721</u>	<u>10,033,832</u>
Business-type activities:				
Community gym	46,789	41,899	51,384	93,398
Endeavor Hall	46,124	56,361	61,453	66,110
<b>Total business-type activities expenses</b>	<u>92,913</u>	<u>98,260</u>	<u>112,837</u>	<u>159,508</u>
<b>Total primary government expenses</b>	<u>\$ 7,694,397</u>	<u>\$ 7,485,892</u>	<u>\$ 11,710,558</u>	<u>\$ 10,193,340</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 314,669	\$ 223,965	\$ 235,392	\$ 233,675
Public works	239,660	241,904	249,099	141,665
Parks and recreation services	138,096	141,654	155,298	141,891
Community and economic development	286,744	61,375	106,246	299,103
Public safety	34,580	46,119	31,911	24,064
Operating grants and contributions	116,666	121,203	129,746	494,148
Capital grants and contributions	-	-	-	-
<b>Total governmental activities program revenues</b>	<u>1,130,415</u>	<u>836,220</u>	<u>907,692</u>	<u>1,334,546</u>
Business-type activities:				
Charges for services:				
Community gym	46,789	5,385	87,848	2,511
Endeavor hall	20,326	20,144	14,951	23,691
Operating grants and contributions	-	-	167,738	-
<b>Total business-type program revenues</b>	<u>67,115</u>	<u>25,529</u>	<u>270,537</u>	<u>26,202</u>
<b>Net revenues (expenses)</b>				
Governmental activities	\$ (6,471,069)	\$ (6,551,412)	\$ (10,690,029)	\$ (8,699,286)
Business-type activities	(25,798)	(72,731)	157,700	(133,306)
<b>Total primary government net expense</b>	<u>\$ (6,496,867)</u>	<u>\$ (6,624,143)</u>	<u>\$ (10,532,329)</u>	<u>\$ (8,832,592)</u>
<b>General revenues and other changes in net position</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,059,095	\$ 7,304,719	\$ 6,856,430	\$ 6,698,149
Special parcel taxes	989,538	1,020,101	1,030,702	1,045,977
Sales and use taxes	366,155	301,213	327,514	303,880
Business license taxes	-	-	-	-
Other taxes	1,128,828	1,095,625	774,794	803,498
Franchise fees	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment income	719,543	653,769	490,207	335,205
Miscellaneous	776,891	440,076	847,460	477,402
Gain/(loss) on sale of assets	167,846	6,600	7,000	6,700
Transfers	-	(5,024)	-	-
<b>Total governmental activities</b>	<u>11,207,896</u>	<u>10,817,079</u>	<u>10,334,107</u>	<u>9,670,811</u>
Business type activities:				
Investment income/(loss)	(305)	(1,066)	(2,035)	276
Miscellaneous	-	-	-	60
Transfers	-	5,024	-	-
<b>Total business-type activities</b>	<u>(305)</u>	<u>3,958</u>	<u>(2,035)</u>	<u>336</u>
<b>Extraordinary and Special Items</b>				
Governmental activities:				
Extraordinary gain/(loss)	-	-	-	-
Business-type activities:				
Special item gain/(loss)	-	-	-	-
<b>Total primary government changes in net position</b>				
Governmental activities	4,736,827	4,265,667	(355,922)	971,525
Business-type activities	(26,103)	(68,773)	155,665	(132,970)
<b>Total primary government</b>	<u>\$ 4,710,724</u>	<u>\$ 4,196,894</u>	<u>\$ (200,257)</u>	<u>\$ 838,555</u>

Source: City of Clayton Finance Department.

		Fiscal Year					
		2012	2013	2014	2015	2016	2017
\$	1,201,323	\$ 1,186,567	\$ 1,249,238	\$ 1,119,567	\$ 1,051,461	\$ 1,174,069	
	1,104,503	1,346,320	2,118,015	2,139,918	1,975,653	2,221,835	
	1,066,617	1,100,584	352,498	339,894	583,120	676,790	
	530,687	446,259	410,413	405,941	362,248	287,775	
	1,972,460	1,925,266	2,016,145	2,006,052	2,060,621	2,075,082	
	129,047	-	-	-	-	-	
	6,004,637	6,004,996	6,146,309	6,011,372	6,033,103	6,435,551	
	18	-	-	-	-	-	
	61,497	60,117	65,351	66,606	67,668	67,393	
	61,515	60,117	65,351	66,606	67,668	67,393	
\$	6,066,152	\$ 6,065,113	\$ 6,211,660	\$ 6,077,978	\$ 6,100,771	\$ 6,502,944	
\$	421,866	\$ 352,124	\$ 567,663	\$ 643,070	\$ 355,391	\$ 349,220	
	148,828	315,230	296,974	418,498	321,544	324,308	
	183,031	-	608	14,337	73,501	70,394	
	319,268	137,795	54,013	25,990	100,612	113,336	
	64,364	36,899	14,631	13,862	49,326	52,497	
	884,026	587,384	683,492	157,397	836,833	813,168	
	-	-	-	-	22,200	885,398	
	2,021,383	1,429,432	1,617,381	1,273,154	1,759,407	2,608,321	
	-	-	-	-	-	-	
	16,294	14,860	19,545	25,818	27,253	22,251	
	-	-	-	-	-	-	
	16,294	14,860	19,545	25,818	27,253	22,251	
\$	(3,983,254)	\$ (4,575,564)	\$ (4,528,928)	\$ (4,738,218)	\$ (4,273,696)	\$ (3,827,230)	
	(45,221)	(45,257)	(45,806)	(40,788)	(40,415)	(45,142)	
\$	(4,028,475)	\$ (4,620,821)	\$ (4,574,734)	\$ (4,779,006)	\$ (4,314,111)	\$ (3,872,372)	
\$	4,488,417	\$ 1,691,803	\$ 1,862,734	\$ 2,302,278	\$ 2,256,780	\$ 2,339,221	
	1,071,632	1,093,213	1,122,349	1,155,141	1,185,651	1,220,427	
	307,887	353,525	370,330	397,544	372,705	455,387	
	-	-	-	-	133,943	135,866	
	792,726	802,651	865,752	1,339,537	-	-	
	-	-	-	-	516,607	541,138	
	-	-	-	-	154,852	157,949	
	242,539	80,622	64,319	82,909	295,904	119,201	
	1,249,897	139,161	175,082	91,230	58,694	31,216	
	(116,339)	(7,817)	-	624	792	1,624	
	250,000	250,456	(688,709)	88,793	-	-	
	8,286,759	4,403,614	3,771,857	5,458,056	4,975,928	5,002,029	
	(359)	-	393	175	-	-	
	-	-	-	4,316	-	-	
	-	-	-	(88,793)	-	-	
	(359)	-	393	(84,302)	-	-	
	(6,100,352)	-	-	(200,000)	(230,786)	-	
	-	-	-	93,489	-	-	
	(1,796,847)	(171,950)	(757,071)	519,838	471,446	1,174,799	
	(45,580)	(45,257)	(45,413)	(31,601)	(40,415)	(45,142)	
\$	(1,842,427)	\$ (217,207)	\$ (802,484)	\$ 488,237	\$ 431,031	\$ 1,129,657	

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

	Fiscal Year			
	2008	2009	2010	2011*
General fund:				
Reserved	\$ 535,000	\$ 539,443	\$ 535,000	\$ -
Unreserved	4,411,527	4,566,713	4,574,933	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	46,704
Unassigned	-	-	-	5,229,784
Total general fund	<u>4,946,527</u>	<u>5,106,156</u>	<u>5,109,933</u>	<u>5,276,488</u>
All other governmental funds:				
Reserved	11,848,038	12,383,905	11,908,782	-
Unreserved	5,628,136	1,030,791	1,013,860	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	12,489,782
Unassigned	-	-	-	-
Total other governmental funds	<u>17,476,174</u>	<u>13,414,696</u>	<u>12,922,642</u>	<u>12,489,782</u>
Total governmental funds	<u>\$ 22,422,701</u>	<u>\$ 18,520,852</u>	<u>\$ 18,032,575</u>	<u>\$ 17,766,270</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).

<b>Fiscal Year</b>					
<u>2012**</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	1,242,346	1,029,377	308,064	72,518
-	-	-	-	-	-
442,546	-	-	-	-	-
-	182,671	34,542	-	278,853	415,239
4,913,879	5,199,914	3,871,849	4,509,255	5,031,142	5,429,524
<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>	<u>5,917,281</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,633,951	3,696,268
-	-	1,399,064	1,303,081	2,150,476	2,122,471
6,333,142	5,071,942	829,421	721,112	667,134	494,241
-	-	2,354,314	3,309,135	2,684,533	3,026,942
-	(425,380)	(2,550)	(2,550)	(2,550)	(2,550)
<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>9,337,372</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>	<u>\$ 15,254,653</u>

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

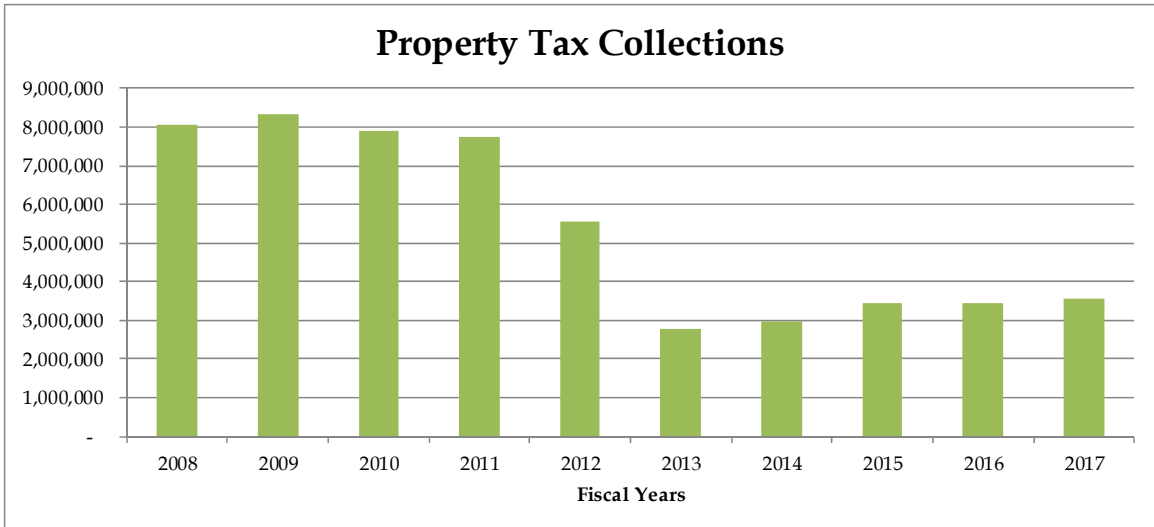
	Fiscal Year			
	2008	2009	2010	2011
<b>Revenues</b>				
Property taxes	\$ 7,041,781	\$ 7,344,188	\$ 6,841,490	\$ 6,737,779
Program income	81,890	91,148	69,752	237,572
Special parcel taxes and assessments	1,229,198	1,262,005	1,279,801	1,186,092
Sales and use taxes	301,579	261,744	272,702	252,404
Business license taxes and fees	-	-	-	-
Permits, licenses and fees	331,627	291,773	280,395	279,404
Fines, forfeitures and penalties	120,788	67,681	63,788	55,919
Intergovernmental	1,247,722	978,027	1,167,750	1,143,631
Motor vehicle in-lieu fees	49,486	37,346	32,234	50,312
Other in-lieu fees	220,530	224,940	137,504	140,255
Franchise fees	382,679	365,802	373,479	403,815
Service charges	277,312	76,326	121,734	71,878
Use of money and property	719,543	653,769	490,207	346,346
Other revenue	166,330	94,722	110,963	111,093
<b>Total revenues</b>	<b>12,170,465</b>	<b>11,749,471</b>	<b>11,241,799</b>	<b>11,016,500</b>
<b>Expenditures</b>				
Current				
General government	967,105	1,018,047	1,043,145	1,075,709
Public works	1,859,885	1,251,614	1,379,517	1,352,445
Parks and recreation services	118,172	359,235	251,104	228,124
Community and economic development	1,579,471	1,888,484	3,845,209	2,653,759
Public safety	1,815,673	1,699,638	1,817,147	1,774,365
Capital outlay	2,955,592	2,197,986	766,252	1,802,315
Debt service				
Principal	1,670,000	1,660,000	2,045,000	2,195,000
Interest and fiscal charges	711,890	624,765	582,702	435,005
<b>Total expenditures</b>	<b>11,677,788</b>	<b>10,699,769</b>	<b>11,730,076</b>	<b>11,516,722</b>
<b>Revenues over (under) expenditures</b>	<b>492,677</b>	<b>1,049,702</b>	<b>(488,277)</b>	<b>(500,222)</b>
<b>Other financing sources (uses)</b>				
Gain (loss) from sale of property	167,846	-	-	(259,502)
Transfers in	3,791,927	4,390,863	5,267,262	3,742,690
Transfers out	(3,791,927)	(4,395,887)	(5,267,262)	(3,742,690)
<b>Total other financing sources (uses)</b>	<b>167,846</b>	<b>(5,024)</b>	<b>-</b>	<b>(259,502)</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>660,523</b>	<b>1,044,678</b>	<b>(488,277)</b>	<b>(759,724)</b>
<b>Special and extraordinary items</b>				
Special item gain (loss)	-	-	-	-
Extraordinary gain (loss)	-	-	-	-
<b>Total special and extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in fund balances</b>	<b>\$ 660,523</b>	<b>\$ 1,044,678</b>	<b>\$ (488,277)</b>	<b>\$ (759,724)</b>
<b>Ratio of Total Debt Service Expenditures to Noncapital Expenditures</b>	0.37	0.34	0.30	0.30

Source: City of Clayton Finance Department



Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 4,488,417	\$ 1,691,803	\$ 1,862,734	\$ 2,302,278	\$ 2,256,780	\$ 2,339,221
72,870	10,546	10,668	10,063	81,400	86,400
1,220,460	1,232,280	1,260,823	1,287,748	1,437,156	1,465,905
307,887	353,525	370,330	397,544	372,705	455,387
-	-	-	-	133,943	135,866
534,446	402,661	290,598	306,545	194,261	209,026
114,313	93,328	78,173	72,635	84,270	92,662
1,986,471	836,041	967,729	1,066,757	964,539	1,706,688
11,074	-	4,703	4,590	4,554	-
143,060	145,921	148,839	151,816	154,852	157,949
454,871	479,765	504,867	501,597	516,607	541,138
131,053	125,387	338,626	366,080	342,308	311,796
241,199	80,579	62,642	81,408	290,966	118,210
27,954	138,528	175,538	91,131	48,517	40,186
<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>	<u>7,660,434</u>
1,028,719	957,680	1,118,026	1,018,852	1,068,970	1,194,606
1,251,908	1,502,599	1,293,402	1,342,373	1,237,683	1,519,992
345,345	356,445	352,498	349,862	375,554	458,294
530,687	446,259	410,413	410,972	379,162	309,048
1,916,002	1,867,432	1,950,034	2,005,607	2,281,621	2,265,845
1,531,977	2,370,825	393,505	260,895	1,275,563	1,409,599
610,000	-	-	-	-	-
323,451	-	-	-	-	-
<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>7,157,384</u>
2,195,986	(1,910,876)	558,392	1,251,631	264,305	503,050
-	-	-	-	-	-
2,038,931	2,221,820	524,187	600,458	1,026,538	497,960
<u>(1,788,931)</u>	<u>(1,971,364)</u>	<u>(603,341)</u>	<u>(511,665)</u>	<u>(1,177,781)</u>	<u>(497,960)</u>
250,000	250,456	(79,154)	88,793	(151,243)	-
2,445,986	(1,660,420)	479,238	1,340,424	113,062	503,050
53,930	-	(90,690)	-	-	-
<u>(8,299,982)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(230,786)</u>	<u>-</u>
<u>(8,246,052)</u>	<u>-</u>	<u>(90,690)</u>	<u>(200,000)</u>	<u>(230,786)</u>	<u>-</u>
<u>\$ (5,800,066)</u>	<u>\$ (1,660,420)</u>	<u>\$ 388,548</u>	<u>\$ 1,140,424</u>	<u>\$ (117,724)</u>	<u>\$ 503,050</u>
0.30	0.00	0.00	0.00	0.00	0.00

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



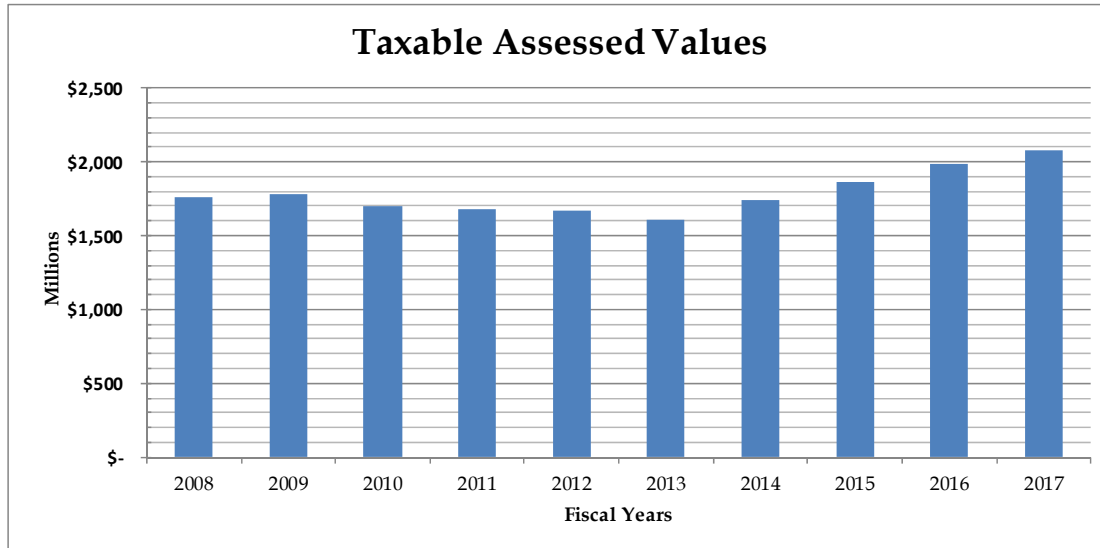
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2008	8,048,633	8,048,633	100%	8,048,633	100%
2009	8,324,820	8,324,820	100%	8,324,820	100%
2010	7,887,132	7,887,132	100%	7,887,132	100%
2011	7,744,126	7,744,126	100%	7,744,126	100%
2012	5,560,049	5,560,049	100%	5,560,049	100%
2013	2,785,016	2,785,016	100%	2,785,016	100%
2014	2,985,083	2,985,083	100%	2,985,083	100%
2015	3,457,419	3,457,419	100%	3,457,419	100%
2016	3,442,431	3,442,431	100%	3,442,431	100%
2017	3,559,648	3,559,648	100%	3,559,648	100%

Source: City of Clayton Finance Department

<sup>1</sup> Property tax levies above include secured and unsecured general ad valorem property taxes, restricted local special parcel taxes, and property taxes pertaining to the Redevelopment Property Tax Trust Fund.

<sup>2</sup> 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  
Statistical Section  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years**



<b>Fiscal Year Ended June 30</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Less: Exemptions</b>	<b>Taxable Assessed Value<sup>1</sup></b>	<b>Total Direct Tax Rate<sup>2</sup></b>
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%
2017	2,072,704,054	24,620,821	(20,100,716)	2,077,224,159	6.63%

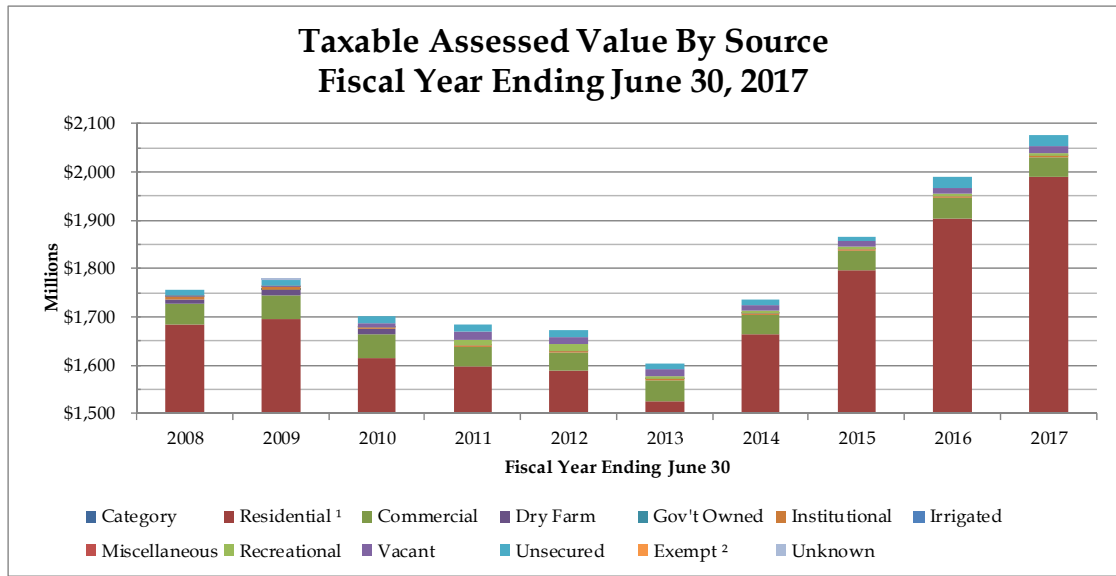
Source: HdL, Coren & Cone, Contra Costa County Assessor Tax Rolls

<sup>1</sup> 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.

<sup>2</sup> 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  
Statistical Section  
Taxable Assessed Value By Source  
Last Ten Fiscal Years**

Category	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Residential <sup>1</sup>	\$ 1,683,144,341	\$ 1,695,716,043	\$ 1,614,703,437	\$ 1,597,474,855
Commercial	43,500,436	48,297,093	50,144,750	40,404,166
Dry Farm	10,399,627	10,662,893	10,795,293	
Gov't Owned		260,000		
Institutional	5,053,547	6,616,231	3,586,731	2,379,553
Irrigated				
Miscellaneous	110,034	112,233	114,477	188,471
Recreational	2,291	2,336	2,382	12,208,926
Vacant	1,036,934	1,919,022	6,502,767	17,024,643
Unsecured	13,313,573	14,127,815	14,600,992	14,364,972
Exempt <sup>2</sup>	(22,946,330)	(23,326,090)	(24,848,773)	(2,431,150)
Unknown	-	14,353	-	-
<b>Totals</b>	<b>\$ 1,756,560,783</b>	<b>\$ 1,777,728,019</b>	<b>\$ 1,700,450,829</b>	<b>\$ 1,684,045,586</b>
<b>Total Direct Rate</b>	<b>0.34470</b>	<b>0.35383</b>	<b>0.35189</b>	<b>0.35104</b>



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

<sup>1</sup> 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.

<sup>2</sup> Exempt values are not included in total.

**Fiscal Year Ending June 30**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$	1,587,781,869	\$ 1,525,145,282	\$ 1,664,638,727	\$ 1,797,596,765	\$ 1,904,368,929	\$ 1,988,952,192
	39,281,102	42,498,296	39,271,189	38,942,508	41,544,210	41,858,935
	2,412,183	2,460,428	2,509,634	2,521,025	2,571,392	2,610,603
	124,224	126,707	129,240			
	477,430	764,183	197,555	198,449	202,412	205,496
	12,300,848	5,364,139	5,364,585	5,364,688	5,365,145	6,302,648
	17,047,319	16,082,455	12,630,349	11,329,374	11,969,774	12,742,504
	13,098,203	12,107,626	12,046,811	10,423,772	24,268,730	24,551,781
	(24,066,321)	(24,547,599)	(25,038,500)	(26,156,667)	(26,679,230)	(27,086,036)
	-	-	-	-	-	-
\$	<u>1,672,523,178</u>	<u>\$ 1,604,549,116</u>	<u>\$ 1,736,788,090</u>	<u>\$ 1,866,376,581</u>	<u>\$ 1,990,290,592</u>	<u>\$ 2,077,224,159</u>
	0.34460	0.34145	0.06992	0.06587	0.06627	0.06642

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

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
City Direct Rates:				
City of Clayton General Fund <sup>1</sup>	0.06628	0.06628	0.06628	0.06628
Clayton Light Maintenance District No. 1 <sup>2</sup>	0.01039	0.01039	0.01039	0.01039
Direct and Overlapping Rates:				
Basic Levy <sup>3</sup>	1.00000	1.00000	1.00000	1.00000
Bay Area Rapid Transit (BART) Bond	0.00760	0.00900	0.00570	0.00310
Contra Costa Community College Bond	0.01080	0.00660	0.01260	0.01330
Contra Costa Water Land Levy	0.00390	0.00410	0.00480	0.00490
East Bay Regional Park Bond	0.00800	0.01000	0.01080	0.00840
Mt. Diablo School Bond	0.04240	0.04550	0.04930	0.06000
<b>Total Direct and Overlapping Rates</b>	<b>1.07270</b>	<b>1.07520</b>	<b>1.08320</b>	<b>1.08970</b>
City's Share of 1% Levy Per Prop 13 <sup>3</sup>	0.06628	0.06628	0.06628	0.06628
Redevelopment Rate <sup>4</sup>	1.01190	1.01410	1.01560	1.01330
Total Direct Rate <sup>5</sup>	0.34470	0.35383	0.35189	0.35104

Source: HdL, Coren & Cone, Contra Costa County Assessor 2007-08 to 2016-17 tax rate table.

<sup>1</sup> 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.

<sup>2</sup> 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 report.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

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<b>Fiscal Year Ending June 30</b>					
2012	2013	2014	2015	2016	2017
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
0.00410	0.00430	0.00750	0.00450	0.00260	0.00800
0.01440	0.00870	0.01330	0.02520	0.02200	0.01200
0.00510	0.00450	0.00420	0.00370	0.00350	0.00320
0.00710	0.00510	0.00780	0.00850	0.00670	0.00320
0.06120	0.08710	0.07400	0.08530	0.08120	0.07640
<u>1.09190</u>	<u>1.10970</u>	<u>1.10680</u>	<u>1.12720</u>	<u>1.11600</u>	<u>1.10280</u>
0.06628	0.06628	0.06628	0.06628	0.06628	0.06628
1.01220	-	-	-	-	-
0.34460	0.34145	0.06992	0.06587	0.06627	0.06642

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

		<b>Fiscal Year Ending June 30, 2008</b>		
		<b>Secured</b>		
<u>Property Owner</u>	<u>Primary Use, Primary Agency</u>	Parcels	Value	% of Net AV
1) NGP Realty Sub	Commercial, Successor Agency	17	\$ 11,745,467	0.69%
2) Safeway Stores, Inc <sup>1</sup>	Commercial, Successor Agency	1	10,886,947	0.62%
3) Clayton Station Shopping Center <sup>1</sup>	Commercial, Successor Agency	4	8,827,929	0.51%
4) Albert D. Jr. & Sandra Seeno Trust	Dry Farm, Clayton General Fund	1	7,427,325	0.43%
5) Comcast	Unsecured, Successor Agency	-	-	-
6) Pine Hollow Group LP	Residential, Successor Agency	5	3,510,961	0.20%
7) Matthew J. Mazzei Trust	Residential, Clayton General Fund	4	2,839,693	0.16%
8) Seminary LLC	Commercial, Successor Agency	1	2,653,020	0.15%
9) Village Oaks LLC	Commercial, Successor Agency	2	2,530,556	0.15%
10) Ocean West Nevada Corporation	Residential, Clayton General Fund	1	2,190,629	0.13%
<b>Top Ten Total</b>		<u>36</u>	<u>\$ 52,612,527</u>	<u>3.04%</u>
<b>City Total</b>		<u>\$ 1,743,247,210</u>		

		<b>Fiscal Year Ending June 30, 2017</b>		
		<b>Secured</b>		
<u>Property Owner</u>	<u>Primary Use, Primary Agency</u>	Parcels	Value	% of Net AV
1) Comcast	Unsecured, Clayton General Fund	-	\$ -	-
2) Safeway Stores, Inc <sup>1</sup>	Commercial, Successor Agency	1	10,967,794	0.53%
3) Clayton Station Shopping Center <sup>1</sup>	Commercial, Successor Agency	4	9,991,189	0.49%
4) Albert D. Jr. & Sandra Seeno Trust	Vacant, Clayton General Fund	1	7,900,000	0.38%
5) AGC Realty LLC	Recreational, Successor Agency	19	6,302,055	0.31%
6) Endashiian, LLC	Commercial, Successor Agency	1	3,535,431	0.17%
7) William P. Jordan Trust	Residential, Successor Agency	4	2,934,607	0.14%
8) Village Oaks, LLC	Commercial, Successor Agency	2	2,916,547	0.14%
9) David & Heather Sorensen	Residential, Clayton General Fund	3	2,654,828	0.13%
10) Ocean West Nevada Corporation	Commercial, Successor Agency	1	2,479,293	0.12%
<b>Top Ten Total</b>		<u>36</u>	<u>\$ 49,681,744</u>	<u>2.41%</u>
<b>City Total</b>		<u>\$ 2,052,672,378</u>		

Source: HdL, Coren & Cone, Contra Costa County Assessor 2007-08 & 2016-17 Combined Tax Rolls & the SBE Non-Unitary Tax Roll

<sup>1</sup> Pending Appeals on Parcels



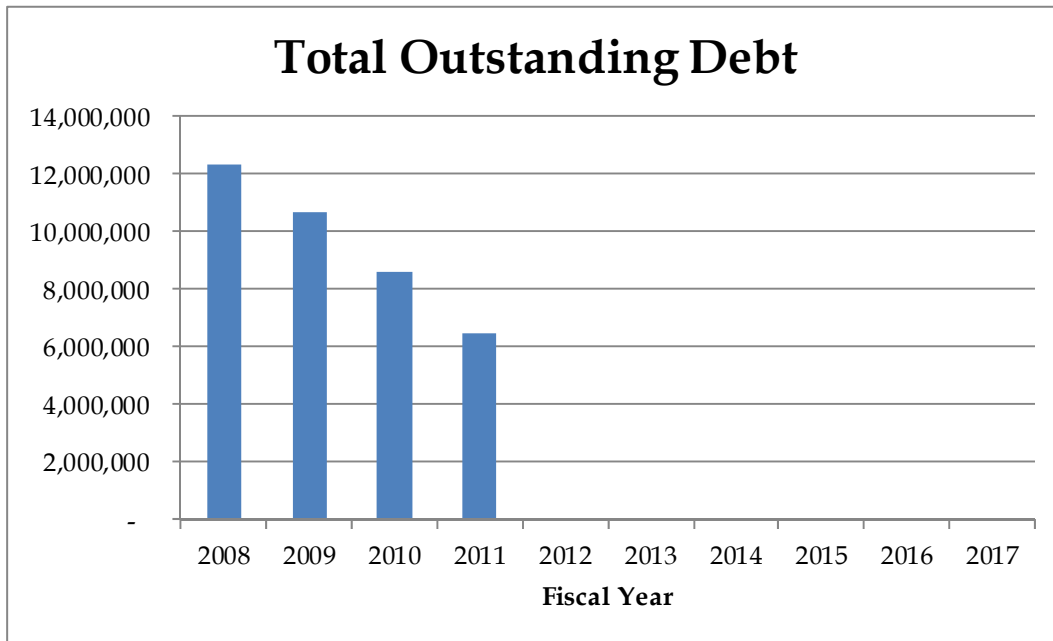
**Fiscal Year Ending June 30, 2008**

Parcels	Unsecured		Combined	
	Value	% of Net AV	Value	% of Net AV
-	\$ -	-	\$ 11,745,467	0.67%
-	-	-	10,886,947	0.62%
-	-	-	8,827,929	0.50%
-	-	-	7,427,325	0.42%
4	4,795,905	36.02%	4,795,905	0.27%
-	-	-	3,510,961	0.20%
-	-	-	2,839,693	0.16%
-	-	-	2,653,020	0.15%
-	-	-	2,530,556	0.14%
-	-	-	2,190,629	0.12%
<b>4</b>	<b>\$ 4,795,905</b>	<b>38.84%</b>	<b>\$ 57,408,432</b>	<b>3.25%</b>
	<u>\$ 13,313,573</u>		<u>\$ 1,756,560,783</u>	

**Fiscal Year Ending June 30, 2017**

Parcels	Unsecured		Combined	
	Value	% of Net AV	Value	% of Net AV
7	\$ 15,508,086	63.16%	\$ 15,508,086	0.75%
-	-	-	10,967,794	0.53%
-	-	-	9,991,189	0.48%
-	-	-	7,900,000	0.38%
1	773,394	3.15%	7,075,449	0.34%
-	-	-	3,535,431	0.17%
-	-	-	2,934,607	0.14%
-	-	-	2,916,547	0.14%
1	27,809	0.11%	2,682,637	0.13%
-	-	-	2,479,293	0.12%
<b>9</b>	<b>\$ 16,309,289</b>	<b>66.42%</b>	<b>\$ 65,991,033</b>	<b>3.18%</b>
	<u>\$ 24,551,781</u>		<u>\$ 2,077,224,159</u>	

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



<b>Fiscal Year Ended June 30</b>	<b>Tax Allocation Bonds<sup>1</sup></b>	<b>Percentage of Total Assessed Value</b>	<b>Percent of Personal Income</b>	<b>Per Capita</b>
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%	-
2017	-	0.000%	0.000%	-

Source: City of Clayton Finance Department.

<sup>1</sup> The balance of Tax Allocation Bonds was transferred to the Redevelopment Successor Agency as of February 1, 2012.

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

<b>Overlapping Debt</b>	<b>Gross Bonded Debt Balance</b>	<b>Percent Applicable to City</b>	<b>Net Bonded Debt</b>
100300 Pension Obligation Bond	\$ 185,830,000	1.137	\$ 2,112,294
100300 CCC PFA 1998A Lease Revenue Bonds	11,555,000	1.137	131,343
100300 CCC PFA 1999A Lease Revenue Bonds	9,050,000	1.137	102,870
100300 CCC PFA 2002A Lease Revenue Bonds	6,185,000	1.137	70,304
100300 CCC PFA 2002B Lease Revenue Bonds	2,825,000	1.137	32,111
100300 CCC PFA 2003A Lease Revenue Bonds	5,065,000	1.137	57,573
100300 CCC PFA 2007A Lease Revenue Bonds	121,185,000	1.137	1,377,487
100300 CCC PFA 2007B Lease Revenue Bonds	3,655,000	1.137	41,546
100300 CCC PFA 2009A Lease Revenue Bonds	13,738,985	1.137	156,168
100300 CCC PFA 2010A-1 Lease Revenue Bonds	3,120,000	1.137	35,464
100300 CCC PFA 2010A-2 Lease Revenue Bonds	13,130,000	1.137	149,246
100300 CCC PFA 2010A-3 Lease Revenue Bonds	20,700,000	1.137	235,293
100300 CCC PFA 2010B Lease Revenue Bonds	11,170,000	1.137	126,967
100300 CCC PFA 2012 Lease Revenue Bonds	9,839,621	1.137	111,845
100300 CCC PFA 2015A&B Lease Revenue Bonds	63,090,000	1.137	717,132
100300 CCC PFA 2017A Lease Revenue Bonds	99,810,000	1.137	1,134,521
100300 CCC PFA 2017B Lease Revenue Bonds	100,285,000	1.137	1,139,921
202000 Contra Costa Fire	75,540,000	2.476	1,869,999
400900 BART	250,836,245	1.137	2,851,208
402700 East Bay Regional Park Bond	53,895,650	1.137	612,622
759500 Mt Diablo 2002 Bond	310,025,000	5.568	17,260,857
759600 Mt Diablo 2010 Bond	318,515,433	5.568	17,733,568
792100 Contra Costa Community College 2002 Bond	174,490,000	1.141	1,990,765
792200 Contra Costa Community College 2006 Bond	291,710,000	1.141	3,328,134
792300 Contra Costa Community College 2014 Bond	84,440,000	1.141	963,380
<b>Total Overlapping Debt</b>			<b>\$ 54,342,618</b>

2016-17 Assessed Valuation: \$1,419,840,121 after deducting \$657,357,551 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 2016-17 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  
Statistical Section  
Legal Debt Margin  
Last Ten Fiscal Years**

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Assessed valuation	\$ 1,756,560,783	\$ 1,777,803,637	\$ 1,700,431,727	\$ 1,684,060,935
Add back exempted real property	18,126,312	17,225,439	18,528,868	17,527,630
<b>Total assessed valuation</b>	<b>\$ 1,774,687,095</b>	<b>\$ 1,795,029,076</b>	<b>\$ 1,718,960,595</b>	<b>\$ 1,701,588,565</b>
Debt limit percentage <sup>1</sup>	3.75%	3.75%	3.75%	3.75%
Debt limit	\$ 66,550,766	\$ 67,313,590	\$ 64,461,022	\$ 63,809,571
<b>Total net debt applicable to limit</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Legal Debt margin	<u>\$ 66,550,766</u>	<u>\$ 67,313,590</u>	<u>\$ 64,461,022</u>	<u>\$ 63,809,571</u>
<b>Total debt applicable to the limit as a percentage of debt limit</b>	0.00%	0.00%	0.00%	0.00%

Source: City of Clayton Finance Department.

<sup>1</sup> 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.

<b>Fiscal Year Ending June 30</b>						
2012	2013	2014	2015	2016	2017	
\$ 1,672,527,948	\$ 1,604,536,185	\$ 1,736,788,090	\$ 1,866,376,581	\$ 1,990,290,592	\$ 2,077,224,159	
16,982,695	14,643,598	19,675,848	20,326,859	19,474,702	20,100,716	
<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>	<u>\$ 2,097,324,875</u>	
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
\$ 63,356,649	\$ 60,719,242	\$ 65,867,398	\$ 70,751,379	\$ 75,366,199	\$ 78,649,683	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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>	<u>\$ 78,649,683</u>	
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

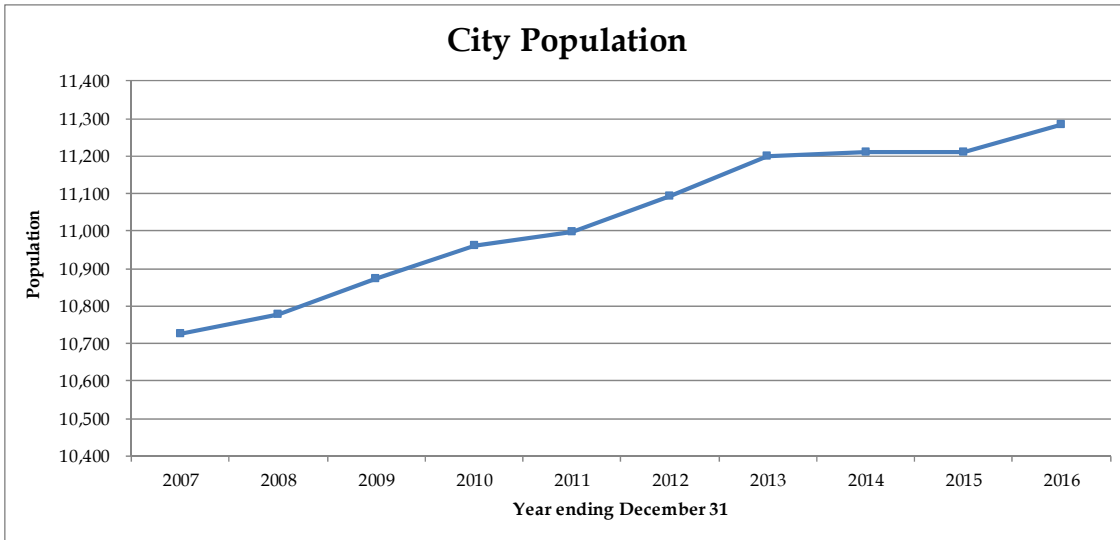
**City of Clayton  
Statistical Section  
Bonded Debt Pledged Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Allocation Bonds			Coverage Ratio
	Debt Service <sup>1</sup>			
	Tax Increment	Principal	Interest	
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	-	-	-	-
2017	-	-	-	-

Source: City of Clayton Finance Department.

<sup>1</sup> 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  
Statistical Section  
Demographic and Economic Statistics  
Last Ten Fiscal Years**



Calendar Year	City Population <sup>1</sup>	Personal Income (in Thousands) <sup>2</sup>	Per Capita Personal Income	Unemployment Rate <sup>3</sup>	Contra Costa County Population <sup>4</sup>	City Population % of County
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%
2016	11,284	628,783	55,723	3.9%	1,123,429	1.00%

<sup>1</sup> Source: HdL, Coren & Cone, Demographic and Economic Statistics Report.

<sup>2</sup> 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.

<sup>3</sup> Source: Labor Market Information Division of the State of California Employment Development Department.

<sup>4</sup> Source: California State Department of Finance Price and Population Information letter to local governments.

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

<b>Function:</b>	<b>Fiscal Year Ending June 30</b>			
	2008	2009	2010	2011
<b>General Government:</b>				
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>
<b>Public Safety:</b>				
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>
<b>Public Works<sup>1</sup></b>	3.60	3.50	3.60	3.70
<b>Parks &amp; Recreation<sup>1</sup></b>	1.40	1.50	1.40	1.30
<b>Community &amp; Economic Development:</b>				
Planning Services	2.00	2.00	2.00	1.60
Code Enforcement	0.30	0.30	0.30	0.30
	<u>2.30</u>	<u>2.30</u>	<u>2.30</u>	<u>1.90</u>
<b>Totals</b>	<u><u>25.60</u></u>	<u><u>25.60</u></u>	<u><u>25.60</u></u>	<u><u>25.20</u></u>

Source: City of Clayton Finance Department, Adopted Budgets.

<sup>1</sup> Full-time equivalent figure for maintenance personnel allocated to public works and parks & recreation functions based on actual historical labor distributions.



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<b>Fiscal Year Ending June 30</b>					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
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
<u>5.30</u>	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>	<u>5.30</u>
11.00	11.00	11.00	11.00	11.00	11.00
2.00	2.00	2.00	2.00	2.00	2.00
<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>	<u>13.00</u>
3.50	3.40	3.10	3.50	4.00	3.80
1.50	1.60	1.90	1.50	1.00	1.20
1.60	1.60	1.60	1.60	1.60	1.60
0.30	0.30	0.30	0.30	0.30	0.30
<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>	<u>1.90</u>
<u>25.20</u>	<u>25.20</u>	<u>25.20</u>	<u>25.20</u>	<u>25.20</u>	<u>25.20</u>

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

<b>Function:</b>	<b>Fiscal Year Ending June 30</b>			
	2008	2009	2010	2011
<b>Police:</b>				
Police calls for service	*	*	*	*
Parking violations	*	*	*	*
Traffic citations	*	*	*	*
Physical arrests	249	267	277	255
<b>Public Works:</b>				
Storm drains inspected	*	*	*	*
Trees trimmed	*	*	*	*
Park maintenance (acres)	*	*	*	*
Street signs maintained	*	*	*	*
Traffic signals maintained	*	*	*	*
Streetlights maintained	*	*	*	*
<b>Parks and Recreation Services:</b>				
Endeavor Hall rentals (days)	*	*	*	*
Hoyer Hall rentals	*	*	*	*
Ballfields (hours rented)	*	*	*	*
<b>Community and Economic Development:</b>				
Planning permits issued	*	*	*	*
Code enforcement cases closed	*	*	*	*
Building permits issued	386	267	277	255
<b>General Government:</b>				
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 was the first year of CAFR implementation for the City, this historical data not readily available.

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**Fiscal Year Ending June 30**

2012	2013	2014	2015	2016	2017
*	5,962	5,858	7,303	6,730	6,650
*	125	40	53	53	151
*	585	664	653	518	494
182	201	137	200	219	150
*	*	*	*	500	500
*	*	*	*	70	70
*	*	*	*	19.07	19.07
*	*	*	*	350	350
*	*	*	*	13	13
*	*	*	*	1,200	1,200
*	*	*	*	135	144
*	*	*	*	33	53
*	*	*	*	1,512	1,170
*	*	*	*	161	107
*	*	*	*	61	93
182	201	376	430	386	403
*	*	547	707	645	777
*	*	*	*	20	16
*	*	*	*	5	3

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

<b>Function:</b>	<b>Fiscal Year Ending June 30</b>			
	2008	2009	2010	2011
<b>Public Safety:</b>				
Police stations	1	1	1	1
Patrol units	*	*	*	*
Trailers/Trucks	*	*	*	*
<b>Public Works:</b>				
City owned parking lots	6	6	6	6
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	*	*	*	*
<b>Parks and Recreation Services:</b>				
Acres of city parks	19.07	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	3,000	3,000	3,000	3,000
Number of pedestrian bridges	9	9	9	9
Number of children playgrounds	4	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 was the first year of CAFR implementation for the City, this historical data not readily available.

**Fiscal Year Ending June 30**

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
*	*	*	8	10	11
*	*	*	2	2	2
6	6	6	6	6	6
*	*	*	3	3	3
*	*	*	*	82	82
*	*	*	*	162	162
*	*	*	*	32.479	32.479
*	*	*	*	968	968
*	*	*	*	50	50
*	*	*	*	15	15
0	0	0	0	0	0
*	*	*	*	2,000	2,000
*	*	*	*	500	500
*	*	*	11	12	13
*	*	*	13	13	13
*	*	*	8	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
3,000	3,000	3,000	3,000	3,000	3,000
9	9	9	9	9	9
4	4	4	4	4	4
4	4	4	4	4	4

**City of Clayton  
Statistical Section  
Miscellaneous Statistical Data  
For the Year Ended June 30, 2017**

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**General Information:**

Date of Incorporation	March 18, 1964
Form of Government	Council-Manager
Population	11,284
Number of authorized City employees	25.20
Median age	46.7
Median household income	\$140,050
Registered voters	7,901
Area in square miles	4.3

**Miles of Streets:**

Lane miles	44.9
Pavement condition index	85

**Fire Protection (CalFire Services Clayton)**

Number of stations	1
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**Police Protection**

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

**Education**

Elementary Schools:	1
Mt Diablo Elementary	
Middle Schools:	1
Diablo View Middle School	

**Library (Contracted with Contra Costa County)**

Number of libraries	1
Number of items	61,368

**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, HdL "Demographic and Economics Statistics" Report for calendar year 2016, US Census.

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## **ADDITIONAL REPORTS**

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

To the City Council  
City of Clayton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clayton as of and for the year ended June 30, 2017, 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 September 22, 2017.

***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

September 22, 2017