



CITY OF CLAYTON

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2013

(With Auditors' Report Thereon)

City of Clayton
Basic Financial Statements
June 30, 2013
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Clayton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clayton, as of and for the year ended June 30, 2013, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clayton, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 10 and 70 – 72 and 80 – 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clayton's basic financial statements. The combining and fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the City of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clayton's internal control over financial reporting and compliance.


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
December 20, 2013

Management of the City of Clayton (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for its fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the additional information that is furnished with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government -Wide Highlights

Net Position - The assets of the City of Clayton exceeded its liabilities at the close of the most recent fiscal year by \$41,161,878. Of this amount, \$4,778,732 was reported as "unrestricted net position" and may be used to meet the ongoing obligations to citizens and creditors.

Changes in Net Position - The City's total net position decreased by \$217,207 in fiscal year 2013. Net assets of governmental activities decreased by \$171,950, while net position of business type activities decreased by \$45,257.

Major Fund Highlights

Governmental Funds –As of the close of fiscal year 2013, the City's governmental funds reported a combined ending fund balance of \$10,029,147. Of this amount \$4,774,534 represents "unassigned fund balances" available for appropriation.

General Fund - The unassigned fund balance of the general fund on June 30, 2013 was \$5,199,914, while the assigned fund balance was \$182,671.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2013

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City of Clayton maintains seventeen individual governmental funds. Information is presented separately in the government funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Clayton Landscape Maintenance Fund, the Measure J Fund, the Clayton Development Impact Fees Fund, and Capital Improvements Fund, all of which are considered to be major funds.

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-61 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Clayton, assets exceeded liabilities by \$41,161,878 at the close of the most recent fiscal year. This is a decrease of \$217,207 or 1% from the prior fiscal year's ending balance.

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2013**

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

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2013 and 2012:

| | Governmental Activities 2013 | Governmental Activities 2012 | Business- Type Activities 2013 | Business- Type Activities 2012 | Total 2013 | Total 2012 |
|-------------------------------------|------------------------------------|------------------------------------|---|---|----------------------|----------------------|
| Current Assets | \$ 9,670,268 | \$ 11,770,439 | \$ (60,962) | \$ (77,919) | \$ 9,609,306 | \$ 11,692,520 |
| Non-Current Assets | 1,000,811 | 1,004,835 | - | - | 1,000,811 | 1,004,835 |
| Capital Assets | 29,988,389 | 28,330,852 | 1,322,815 | 1,358,883 | 31,311,204 | 29,689,735 |
| Total Assets | \$ 40,659,468 | \$ 41,106,126 | \$ 1,261,853 | \$ 1,280,964 | \$ 41,921,321 | \$ 42,387,090 |
| Current Liabilities | \$ 534,628 | \$ 821,707 | \$ 69,420 | \$ 43,274 | \$ 604,048 | \$ 864,981 |
| Long-term Liabilities | 155,395 | 143,024 | - | - | 155,395 | 143,024 |
| Total Liabilities | \$ 690,023 | \$ 964,731 | \$ 69,420 | \$ 43,274 | \$ 759,443 | \$ 1,008,005 |
| Net investment in capital assets | \$ 29,988,389 | \$ 28,330,852 | \$ 1,322,815 | \$ 1,358,883 | \$ 31,311,204 | \$ 29,689,735 |
| Restricted | 5,071,942 | 6,775,688 | - | - | 5,071,942 | 6,775,688 |
| Unrestricted | 4,909,114 | 5,034,855 | (130,382) | (121,193) | 4,778,732 | 4,913,662 |
| Total Net Position | \$ 39,969,445 | \$ 40,141,395 | \$ 1,192,433 | \$ 1,237,690 | \$ 41,161,878 | \$ 41,379,085 |

A portion of the City of Clayton's net position (\$5,071,942 or 12.3%) represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of \$4,778,732 may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Position

City revenues for the year, including both governmental and business-type activities, were \$5,847,906, while expenses totaled \$6,065,113, resulting in a net reduction in net position of \$217,207. Further analysis is provided within the governmental and business-type activity sections on the next page.

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2013**

Following is a recap of the City of Clayton's Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2013 and 2012:

| | Governmental Activities 2013 | Governmental Activities 2012 | Business Type Activities 2013 | Business Type Activities 2012 | Total 2013 | Total 2012 |
|--|------------------------------------|------------------------------------|--|--|----------------------|----------------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 702,981 | \$ 988,529 | \$ 14,860 | \$ 16,294 | \$ 717,841 | \$ 1,004,823 |
| Operating and capital grants and contributions | 587,384 | 884,026 | - | - | 587,384 | 884,026 |
| Total program revenues | <u>1,290,365</u> | <u>1,872,555</u> | <u>14,860</u> | <u>16,294</u> | <u>1,305,225</u> | <u>1,888,849</u> |
| General revenues: | | | | | | |
| Property taxes | 1,691,803 | 4,488,417 | - | - | 1,691,803 | 4,488,417 |
| Sales taxes | 353,525 | 307,887 | - | - | 353,525 | 307,887 |
| Special assessments | 1,232,280 | 1,220,460 | - | - | 1,232,280 | 1,220,460 |
| Other taxes | 802,651 | 792,726 | - | - | 802,651 | 792,726 |
| Investment income | 80,622 | 242,539 | - | (359) | 80,622 | 242,180 |
| Miscellaneous | 139,161 | 873,249 | - | - | 139,161 | 873,249 |
| Escheat recapture (deposits) | - | 376,648 | - | - | - | 376,648 |
| Gain (loss) on sale of assets | (7,817) | (116,339) | - | - | (7,817) | (116,339) |
| Total general revenues | <u>4,292,225</u> | <u>8,185,587</u> | <u>-</u> | <u>(359)</u> | <u>4,292,225</u> | <u>8,185,228</u> |
| Total revenues | <u>5,582,590</u> | <u>10,058,142</u> | <u>14,860</u> | <u>15,935</u> | <u>5,597,450</u> | <u>10,074,077</u> |
| Expenses | | | | | | |
| Legislative | 64,486 | 48,420 | - | - | 64,486 | 48,420 |
| Admin/Finance | 994,470 | 1,009,135 | - | - | 994,470 | 1,009,135 |
| Public works | 744,139 | 721,272 | - | - | 744,139 | 721,272 |
| Community park | 215,994 | 194,376 | - | - | 215,994 | 194,376 |
| Economic development | 86,154 | 143,255 | - | - | 86,154 | 143,255 |
| Planning and development | 262,145 | 294,186 | - | - | 262,145 | 294,186 |
| General services | 127,611 | 143,768 | - | - | 127,611 | 143,768 |
| Police | 1,925,266 | 1,972,460 | - | - | 1,925,266 | 1,972,460 |
| Library | 140,451 | 150,969 | - | - | 140,451 | 150,969 |
| Engineering | 97,960 | 93,246 | - | - | 97,960 | 93,246 |
| Highway and streets | 423,620 | 323,500 | - | - | 423,620 | 323,500 |
| Landscape maintenance | 922,700 | 781,003 | - | - | 922,700 | 781,003 |
| Community gym | - | - | - | 18 | - | 18 |
| Endeavor hall | - | - | 60,117 | 61,497 | 60,117 | 61,497 |
| Total expenses | <u>6,004,996</u> | <u>5,875,590</u> | <u>60,117</u> | <u>61,515</u> | <u>6,065,113</u> | <u>5,937,105</u> |
| Increase (decrease) in Net Position before interest on long-term debt, extraordinary losses and transfers | | | | | | |
| | (422,406) | 4,182,552 | (45,257) | (45,580) | (467,663) | 4,136,972 |
| Interest on Long-Term Debt | - | (129,047) | - | - | - | (129,047) |
| Extraordinary loss on RDA dissolution | - | (6,100,352) | - | - | - | (6,100,352) |
| Transfers in (out) | <u>250,456</u> | <u>250,000</u> | <u>-</u> | <u>-</u> | <u>250,456</u> | <u>250,000</u> |
| Change in Net Position | (171,950) | (1,796,847) | (45,257) | (45,580) | (217,207) | (1,842,427) |
| Net Position - Beginning | <u>40,141,395</u> | <u>41,938,242</u> | <u>1,237,690</u> | <u>1,283,270</u> | <u>41,379,085</u> | <u>43,221,512</u> |
| Net Position - Ending | <u>\$ 39,969,445</u> | <u>\$ 40,141,395</u> | <u>\$ 1,192,433</u> | <u>\$ 1,237,690</u> | <u>\$ 41,161,878</u> | <u>\$ 41,379,085</u> |

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2013**

Governmental Activities

Total governmental expenses were \$6,004,996 in fiscal year 2013 compared to \$6,004,637 in the prior year. The largest expenses for fiscal year 2013 were incurred for Police Services (32%), Admin/Finance (17%), Landscape Maintenance (15%), and Public Works (12%). These four activities combined account for 76% of all general activity expenses. Landscape Maintenance expense increased by \$141,697 or 18% and Public Works expense increased by \$22,867 over the prior fiscal year; while Police Services and Admin/Finance expenses decreased by \$47,194 (-2%) and \$14,665 (-1%), respectively.

Total program revenues from governmental activities were \$1,290,365 in fiscal year 2013. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. 54% of the governmental program revenues came from Charges for Services, which includes park use fees, rental fees, licenses and permits, plan checking fees, police service fees, planning services fees, and other revenues. The remaining 46% of the governmental program revenues came from grant funding. General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, motor vehicle fees, investment earnings, special assessments, fines, franchise fees, use of money and property, service charges, and other revenues.

Total general revenues (excluding transfers) from governmental activities were \$4,292,225 in fiscal year 2013 of which \$1,691,803 or 39% is related to property taxes. Property tax revenues declined by \$2,796,614 or 62%, chiefly due to the dissolution of the former RDA in the prior fiscal year, as there was no property tax income from the RDA in fiscal year 2013 versus \$2,755,501 in the prior fiscal year.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

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

As of the end of the current fiscal year, the City of Clayton's governmental funds reported combined ending fund balances of \$10,129,147. Of this amount \$5,071,942 (51%) is committed for specific expenditures in the future, \$182,671 has been assigned for specific purposes (1%) and \$4,774,534 (48%) is unassigned.

The fund balance of the City of Clayton's general fund increased by \$26,160 for the current fiscal year. Considering the volatility of the economy, we were fortunate to have a positive impact on our fund balance. While this could not have been possible without additional cost reduction due to staff furloughs, it shows that our City has a good handle on budgeting expenditures that align with available revenues.

Proprietary Funds

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

Unrestricted net position of the Major Enterprise Funds at the end of the year amounted to \$(130,382), and those for the Internal Service Fund amounted to \$107,304. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Clayton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final general fund budget for expenditures totaled \$3,842,365. There was one budget amendment to the originally adopted budget. The increase was for encumbrances from 2011-12 approved for \$174,194 which funded contractual obligations and outstanding purchases in this fiscal year.

General fund revenues exceeded budget by \$253,124 (8%). General Fund expenditures were under the final budget including encumbrances by \$144,424 (4%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Clayton's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounted to \$31,311,204 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corporate yard building, and roads.

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

- Construction in Progress additions totaling \$1,259,021 for the 2013 Pavement Rehabilitation project.
- Land acquired for the Downtown Economic Development project for \$1,040,599.

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

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2013**

Debt Administration

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's budgetary history during the past 11 years clearly demonstrates an ability to provide necessary services within a limited and sometimes restrictive revenue source. There was a minimal increase in the General Fund's adopted budgeted expenditures for Fiscal Year 2012-13 to \$3,668,171, a figure slightly more than in the fiscal year 2002-03 when the budget was adopted for \$3,537,893.

General Fund revenues, including transfers-in at June 30, 2013, exceeded expenditures by \$26,160. In the adopted fiscal year 2013-14 General Fund budget, total revenues were projected to be \$3,673,442, which is an overall increase of 5.8% over the fiscal year 2012-13 adjusted budget. This increase is primarily a result of increased revenues expected from property values in the community beginning to rise and additional unrestricted revenues to the General Fund from the Redevelopment Property Tax Trust Fund (RPTTF) arising from the dissolution of the City's RDA. The adopted fiscal year 2013-14 General Fund budget authorized total appropriations of \$3,649,122, which is a decrease in appropriations from the final adjusted fiscal year 2012-13 budget of approximately \$196,150, or 5%.

REQUEST FOR INFORMATION

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

FINANCIAL SECTION

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

City of Clayton
Statement of Net Position
June 30, 2013

| ASSETS | Governmental Activities | Business-Type Activites | Total |
|--|----------------------------|----------------------------|----------------------|
| Current Assets: | | | |
| Cash and investments | \$ 8,923,840 | \$ - | \$ 8,923,840 |
| Accounts receivable (net of allowances) | 652,959 | - | 652,959 |
| Interest receivable | 29,840 | - | 29,840 |
| Internal balances | 60,962 | (60,962) | - |
| Prepaid expenses | 2,667 | - | 2,667 |
| Total Current Assets | 9,670,268 | (60,962) | 9,609,306 |
| Noncurrent Assets: | | | |
| Notes receivable | 1,000,811 | - | 1,000,811 |
| Nondepreciable assets | 3,347,386 | 167,738 | 3,515,124 |
| Depreciable assets, net | 26,641,003 | 1,155,077 | 27,796,080 |
| TOTAL ASSETS | 40,659,468 | 1,261,853 | 41,921,321 |
| LIABILITIES | | | |
| Current Liabilites: | | | |
| Accounts payable | 165,286 | 572 | 165,858 |
| Deposits payable | - | 6,548 | 6,548 |
| Accrued payroll | 46,785 | - | 46,785 |
| Compensated absences payable (current portion) | 81,456 | - | 81,456 |
| Other accrued liabilities | 116,265 | 62,300 | 178,565 |
| Deferred revenue | 124,836 | - | 124,836 |
| Total Current Liabilities | 534,628 | 69,420 | 604,048 |
| Noncurrent Liabilites: | | | |
| Compensated absences payable (long-term portion) | 81,456 | - | 81,456 |
| OPEB Liability | 73,939 | - | 73,939 |
| Total Noncurrent Liabilities | 155,395 | - | 155,395 |
| TOTAL LIABILITIES | 690,023 | 69,420 | 759,443 |
| NET POSITION | | | |
| Net investment in capital assets | 29,988,389 | 1,322,815 | 31,311,204 |
| Restricted for special projects and programs | 5,071,942 | - | 5,071,942 |
| Unrestricted | 4,829,960 | (130,382) | 4,699,578 |
| TOTAL NET POSITION | \$ 39,890,291 | \$ 1,192,433 | \$ 41,082,724 |

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

| For the fiscal year ended June 30, 2013 | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
|---|---------------------|-------------------------|--|--|----------------------------|-----------------------------|----------------------|
| Primary Government: | | | | | | | |
| Governmental Activities | | | | | | | |
| Legislative | \$ 64,486 | \$ - | \$ - | \$ - | \$ (64,486) | \$ - | \$ (64,486) |
| Admin/Finance | 994,470 | 88,305 | - | - | (906,165) | - | (906,165) |
| Public works | 744,139 | 176,163 | - | - | (567,976) | - | (567,976) |
| Community park | 215,994 | - | - | - | (215,994) | - | (215,994) |
| Economic development | 86,154 | - | - | - | (86,154) | - | (86,154) |
| Planning and development | 262,145 | 32,667 | - | - | (229,478) | - | (229,478) |
| General services | 127,611 | 263,819 | - | - | 136,208 | - | 136,208 |
| Police | 1,925,266 | 36,899 | 124,110 | - | (1,764,257) | - | (1,764,257) |
| Library | 140,451 | - | - | - | (140,451) | - | (140,451) |
| Engineering | 97,960 | 105,128 | - | - | 7,168 | - | 7,168 |
| Highway and streets | 423,620 | - | 349,800 | - | (73,820) | - | (73,820) |
| Landscape maintenance | 922,700 | - | 113,474 | - | (809,226) | - | (809,226) |
| Total Governmental Activities | 6,004,996 | 702,981 | 587,384 | - | (4,714,631) | - | (4,714,631) |
| Business-Type Activities | | | | | | | |
| Community Gym | - | - | - | - | - | - | - |
| Endeavor Hall | 60,117 | 14,860 | - | - | - | (45,257) | (45,257) |
| Total Business-Type Activities | 60,117 | 14,860 | - | - | - | (45,257) | (45,257) |
| Total Primary Government | \$ 6,065,113 | \$ 717,841 | \$ 587,384 | \$ - | (4,714,631) | (45,257) | (4,759,888) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,691,803 | - | 1,691,803 |
| Sales taxes | | | | | 353,525 | - | 353,525 |
| Special assessments | | | | | 1,232,280 | - | 1,232,280 |
| Other taxes | | | | | 802,651 | - | 802,651 |
| Total Taxes | | | | | 4,080,259 | - | 4,080,259 |
| Investment income (loss) | | | | | 80,622 | - | 80,622 |
| Loss on fixed asset disposal | | | | | (7,817) | - | (7,817) |
| Miscellaneous | | | | | 139,161 | - | 139,161 |
| Transfers from fiduciary funds | | | | | 250,456 | - | 250,456 |
| Total general revenues and transfers | | | | | 4,542,681 | - | 4,542,681 |
| Change in net position | | | | | (171,950) | (45,257) | (217,207) |
| Net position - beginning of year | | | | | 40,141,395 | 1,237,690 | 41,379,085 |
| Net position - end of year | | | | | \$ 39,969,445 | \$ 1,192,433 | \$ 41,161,878 |

The accompanying notes are an integral part of the financial statements

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GOVERNMENTAL FUNDS

General Fund

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

Major Special Revenue Funds:

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

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

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

Major Capital Projects Fund:

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

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

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

Other Governmental Funds

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

**City of Clayton
Balance Sheet
Governmental Funds
June 30, 2013**

| | Major Funds | | |
|---|---------------------|-------------------------------------|-------------------|
| | General Fund | Clayton Landscape Maintenance | Measure J Fund |
| ASSETS | | | |
| Cash and investments | \$ 3,636,225 | \$ 236,941 | \$ - |
| Accounts receivable | 266,365 | - | 263,413 |
| Interest receivable | 29,840 | - | - |
| Notes receivable | 1,000,811 | - | - |
| Prepaid expenses | 2,667 | - | - |
| Due from other funds | 767,439 | - | - |
| Advance to other funds | 60,000 | - | - |
| TOTAL ASSETS | <u>\$ 5,763,347</u> | <u>\$ 236,941</u> | <u>\$ 263,413</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 91,158 | \$ 53,641 | \$ - |
| Other payables | 76,527 | 25,440 | - |
| Accrued payroll | 46,785 | - | - |
| Accrued vacation | 81,456 | - | - |
| Deferred revenue | 84,836 | - | - |
| Notes payable | - | - | - |
| Due to other funds | - | - | 540,378 |
| Advance from other funds | - | - | - |
| TOTAL LIABILITIES | <u>380,762</u> | <u>79,081</u> | <u>540,378</u> |
| FUND BALANCE | | | |
| Committed for: | | | |
| Stated purpose of fund | - | 157,860 | - |
| Assigned for: | | | |
| Labor relations contract negotiation | 103,517 | - | - |
| Self-insurance replenishment | 54,154 | - | - |
| Capital equipment replacement | 25,000 | - | - |
| Unassigned | 5,199,914 | - | (276,965) |
| TOTAL FUND BALANCE | <u>5,382,585</u> | <u>157,860</u> | <u>(276,965)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 5,763,347</u> | <u>\$ 236,941</u> | <u>\$ 263,413</u> |

The accompanying notes are an integral part of the financial statements

**City of Clayton
Balance Sheet
Governmental Funds
June 30, 2013**

| Capital Improvements Fund | Clayton Development Impact Fees | Other Governmental | Total |
|---------------------------------|---------------------------------------|-----------------------|----------------------|
| \$ 2,519,859 | \$ 766,362 | \$ 1,657,149 | \$ 8,816,536 |
| - | - | 123,181 | 652,959 |
| - | - | - | 29,840 |
| - | - | - | 1,000,811 |
| - | - | - | 2,667 |
| - | - | - | 767,439 |
| - | - | - | 60,000 |
| <u>\$ 2,519,859</u> | <u>\$ 766,362</u> | <u>\$ 1,780,330</u> | <u>\$ 11,330,252</u> |
| | | | |
| \$ 1,774 | \$ - | \$ 18,713 | 165,286 |
| 5,679 | - | 8,619 | 116,265 |
| - | - | - | 46,785 |
| - | - | - | 81,456 |
| - | - | 40,000 | 124,836 |
| - | - | - | - |
| - | - | 166,099 | 706,477 |
| - | 60,000 | - | 60,000 |
| <u>7,453</u> | <u>60,000</u> | <u>233,431</u> | <u>1,301,105</u> |
| | | | |
| 2,512,406 | 706,362 | 1,695,314 | 5,071,942 |
| - | - | - | 103,517 |
| - | - | - | 54,154 |
| - | - | - | 25,000 |
| - | - | (148,415) | 4,774,534 |
| <u>2,512,406</u> | <u>706,362</u> | <u>1,546,899</u> | <u>10,029,147</u> |
| <u>\$ 2,519,859</u> | <u>\$ 766,362</u> | <u>\$ 1,780,330</u> | <u>\$ 11,330,252</u> |

City of Clayton
Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Position
June 30, 2013

For the fiscal year ended June 30, 2013

Total Fund Balances - Governmental Funds \$ 10,029,147

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Non-depreciable capital assets 3,347,386

Depreciable capital assets, net (net of internal service fund assets of \$462,495) 26,178,508

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 (73,939)

Compensated absences payable (81,456)

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.

569,799

Net Position of Governmental Activities

\$ 39,969,445

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City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the fiscal year ended June 30, 2013

| | Major Funds | | |
|--|---------------------|---|---------------------|
| | General Fund | Clayton Landscape Maintenance Fund | Measure J Fund |
| REVENUES | | | |
| Property taxes | \$ 1,691,803 | \$ - | \$ - |
| Program income | 10,546 | - | - |
| Special assessments | - | 954,704 | - |
| Sales taxes | 353,525 | - | - |
| Permits, licenses and fees | 255,984 | - | - |
| Fines, forfeitures and penalties | 93,328 | - | - |
| From other agencies | 79,607 | - | 263,413 |
| Other in-lieu fees | 145,921 | - | - |
| Franchise fees | 479,765 | - | - |
| Service charges | 125,387 | - | - |
| Use of money and property | 38,453 | (3,447) | - |
| Other revenue | 89,314 | (150) | - |
| TOTAL REVENUES | <u>\$ 3,363,633</u> | <u>\$ 951,107</u> | <u>\$ 263,413</u> |
| EXPENDITURES | | | |
| General Government | | | |
| Legislative | 64,486 | - | - |
| Admin/Finance | 787,842 | - | - |
| Public works | 156,279 | - | - |
| Community park | 215,994 | - | - |
| Economic development | - | - | - |
| Community development | 262,145 | - | - |
| General services | 105,352 | - | - |
| Police | 1,867,432 | - | - |
| Library | 140,451 | - | - |
| Engineering | 97,960 | - | - |
| Highway and streets | - | - | 566 |
| Landscape maintenance | - | 792,154 | - |
| Capital Outlay | - | 7,913 | - |
| TOTAL EXPENDITURES | <u>3,697,941</u> | <u>800,067</u> | <u>566</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(334,308)</u> | <u>151,040</u> | <u>262,847</u> |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 360,468 | - | - |
| Transfers out | - | (500,459) | (843,281) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>360,468</u> | <u>(500,459)</u> | <u>(843,281)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 26,160 | (349,419) | (580,434) |
| FUND BALANCES: | | | |
| Beginning of year | <u>5,356,425</u> | <u>507,279</u> | <u>303,469</u> |
| End of fiscal year | <u>\$ 5,382,585</u> | <u>\$ 157,860</u> | <u>\$ (276,965)</u> |

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the fiscal year ended June 30, 2013

| Major Funds | | | |
|---------------------------------------|---------------------------------|-----------------------|----------------------|
| Clayton Development Impact Fees | Capital Improvements Fund | Other Governmental | Total |
| \$ - | \$ - | \$ - | \$ 1,691,803 |
| - | - | - | 10,546 |
| - | - | 277,576 | 1,232,280 |
| - | - | - | 353,525 |
| 105,682 | - | 40,995 | 402,661 |
| - | - | - | 93,328 |
| - | - | 493,021 | 836,041 |
| - | - | - | 145,921 |
| - | - | - | 479,765 |
| - | - | - | 125,387 |
| 8,604 | 22,432 | 14,537 | 80,579 |
| - | 23,810 | 25,554 | 138,528 |
| <u>\$ 114,286</u> | <u>\$ 46,242</u> | <u>\$ 851,683</u> | <u>\$ 5,590,364</u> |
| - | - | - | 64,486 |
| - | - | - | 787,842 |
| - | - | - | 156,279 |
| - | - | - | 215,994 |
| - | - | 86,154 | 86,154 |
| - | - | - | 262,145 |
| - | - | - | 105,352 |
| - | - | - | 1,867,432 |
| - | - | - | 140,451 |
| - | - | - | 97,960 |
| - | 133,042 | 290,012 | 423,620 |
| - | 45,636 | 84,910 | 922,700 |
| - | 2,362,912 | - | 2,370,825 |
| - | 2,541,590 | 461,076 | 7,501,240 |
| <u>114,286</u> | <u>(2,495,348)</u> | <u>390,607</u> | <u>(1,910,876)</u> |
| - | 1,860,440 | 912 | 2,221,820 |
| - | - | (627,624) | (1,971,364) |
| - | 1,860,440 | (626,712) | 250,456 |
| 114,286 | (634,908) | (236,105) | (1,660,420) |
| <u>592,076</u> | <u>3,147,314</u> | <u>1,783,004</u> | <u>11,689,567</u> |
| <u>\$ 706,362</u> | <u>\$ 2,512,406</u> | <u>\$ 1,546,899</u> | <u>\$ 10,029,147</u> |

City of Clayton
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to
the Statement of Activities
For the Fiscal Year Ended June 30, 2013

| | |
|---|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,660,420) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (Net of internal service fund depreciation of \$123,775). | (671,250) |
| Certain long-term assets, such as notes receivable, developer receivable, and investment in low and moderate income housing are reported as expenditures in the governmental funds and then are offset by a deferred revenue as they are not available to pay current expenditures. When the long-term assets are collected, they are reflected as revenue. This amount is the net change in the long-term assets for the current period. | (73,939) |
| Long-term compensated absences are reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds. The program expenses are adjusted for the current year net changes in compensated absences. | (7,339) |
| Capital asset acquisition, excluding internal service fund asset acquisitions. | 2,370,825 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net gain or loss of the internal service funds is reported with governmental activities. | <u>(129,827)</u> |
| Change in Net Position of Governmental Activities on Statement of Activities | <u>\$ (171,950)</u> |

The accompanying notes are an integral part of the financial statements

PROPRIETARY FUNDS

City of Clayton
Statement of Net Position
Proprietary Funds
June 30, 2013

| | <u>Community Gym</u> | <u>Endeavor Hall</u> | <u>Total</u> | <u>Governmental Activities Internal Service Funds</u> |
|---|--------------------------|--------------------------|---------------------|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 107,304 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Interest | - | - | - | - |
| Noncurrent Assets | | | | |
| Land | - | 167,738 | 167,738 | - |
| Depreciable assets, net | <u>-</u> | <u>1,155,077</u> | <u>1,155,077</u> | <u>462,495</u> |
| TOTAL ASSETS | <u>-</u> | <u>1,322,815</u> | <u>1,322,815</u> | <u>569,799</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | - | 572 | 572 | - |
| Other payables | 58,489 | 3,811 | 62,300 | - |
| Deposits payable | - | 6,548 | 6,548 | - |
| Due to other funds | <u>37,465</u> | <u>23,497</u> | <u>60,962</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>95,954</u> | <u>34,428</u> | <u>130,382</u> | <u>-</u> |
| NET POSITION | | | | |
| Invested in capital assets, net of related debt | - | 1,322,815 | 1,322,815 | 462,495 |
| Restricted for payment of claims | - | - | - | - |
| Unrestricted | <u>(95,954)</u> | <u>(34,428)</u> | <u>(130,382)</u> | <u>107,304</u> |
| TOTAL NET POSITION | <u>\$ (95,954)</u> | <u>\$ 1,288,387</u> | <u>\$ 1,192,433</u> | <u>\$ 569,799</u> |

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | Community Gym | Endeavor Hall | Total | Governmental Activities Internal Services Funds |
|---|--------------------|---------------------|---------------------|--|
| OPERATING REVENUES | | | | |
| Charges for current services | \$ - | \$ 14,860 | \$ 14,860 | \$ 16,200 |
| TOTAL OPERATING REVENUES | <u>-</u> | <u>14,860</u> | <u>14,860</u> | <u>16,200</u> |
| OPERATING EXPENSES | | | | |
| Personnel | - | 10,287 | 10,287 | - |
| General and administrative | - | 13,762 | 13,762 | 14,478 |
| Bad Debt Expense | - | - | - | - |
| Depreciation and amortization | - | 36,068 | 36,068 | 123,775 |
| TOTAL OPERATING EXPENSES | <u>-</u> | <u>60,117</u> | <u>60,117</u> | <u>138,253</u> |
| OPERATING INCOME (LOSS) | <u>-</u> | <u>(45,257)</u> | <u>(45,257)</u> | <u>(122,053)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Loss on disposal of assets | - | - | - | (7,817) |
| Investment income (loss) | - | - | - | 43 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(7,774)</u> |
| CHANGE IN NET POSITION | - | (45,257) | (45,257) | (129,827) |
| NET POSITION: | | | | |
| Beginning of fiscal year | <u>(95,954)</u> | <u>1,333,644</u> | <u>1,237,690</u> | <u>699,626</u> |
| End of fiscal year | <u>\$ (95,954)</u> | <u>\$ 1,288,387</u> | <u>\$ 1,192,433</u> | <u>\$ 569,799</u> |

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | Major Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|------------------------|---------------|-------------|--|
| | Community Gym | Endeavor Hall | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers/other funds | \$ - | \$ 16,779 | \$ 16,779 | \$ 16,200 |
| Cash payments to suppliers for goods and services | - | (6,492) | (6,492) | (17,719) |
| Cash payment to employees for services | - | (10,287) | (10,287) | - |
| Net cash provided (used) by operating activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,519)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | | |
| Cash paid for capital acquisition | - | - | - | (89,554) |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(89,554)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment income received | - | - | - | 43 |
| Net Cash provided (used) by investing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>43</u> |
| Net increase (decrease) in cash and cash equivalents | - | - | - | (91,030) |
| CASH AND CASH EQUIVALENTS: | | | | |
| Fiscal year end June 30, 2012 | - | - | - | 198,334 |
| Fiscal year end June 30, 2013 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 107,304</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ - | \$ (45,257) | \$ (45,257) | \$ (122,053) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | - | 36,068 | 36,068 | 123,775 |
| Changes in current assets and liabilities: | | | | |
| Accounts receivable | - | 121 | 121 | - |
| Accounts payable | - | 47 | 47 | (3,241) |
| Other payables | - | 301 | 301 | - |
| Due to other funds | - | 6,922 | 6,922 | - |
| Deposits payable | - | 1,798 | 1,798 | - |
| Net cash provided (used) by operating activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,519)</u> |

The accompanying notes are an integral part of the financial statements

FIDUCIARY FUNDS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's program. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

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

City of Clayton
Statement of Fiduciary Net Position
Agency Funds
(Excludes Successor Agency Funds)
June 30, 2013

| | <u>Agency Funds</u> |
|--------------------------|----------------------------|
| ASSETS | |
| Cash and investments | \$ 1,716,273 |
| Cash with fiscal agents | 423,157 |
| Investment in bonds | 3,554,000 |
| Other receivables | <u>399,928</u> |
| TOTAL ASSETS | <u>\$ 6,093,358</u> |
| LIABILITIES | |
| Accounts payable | \$ 395,837 |
| Other payables | 21,836 |
| Other deposits | 670,286 |
| Due to bondholders | <u>5,005,399</u> |
| TOTAL LIABILITIES | <u>\$ 6,093,358</u> |

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
June 30, 2013

| <u>ASSETS</u> | Redevelopment Retirement Trust Fund | Redevelopment LMI Retirement Trust Fund | Eliminations | Total |
|---|---|---|---------------------|----------------------|
| Current assets: | | | | |
| Cash and investments | \$ 1,968,613 | \$ 3,942,117 | \$ - | \$ 5,910,730 |
| Cash and investments with fiscal agents | 924,815 | - | - | 924,815 |
| Total current assets | <u>2,893,428</u> | <u>3,942,117</u> | <u>-</u> | <u>6,835,545</u> |
| Noncurrent assets: | | | | |
| Advance to other funds | - | 592,412 | (592,412) | - |
| Loans to other funds | 183,144 | 4,099,250 | - | 4,282,394 |
| Total noncurrent assets | <u>183,144</u> | <u>4,691,662</u> | <u>(592,412)</u> | <u>4,282,394</u> |
| Total assets | <u>\$ 3,076,572</u> | <u>\$ 8,633,779</u> | <u>\$ (592,412)</u> | <u>\$ 11,117,939</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | | |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accrued interest payable | \$ 100,801 | \$ - | \$ - | \$ 100,801 |
| Current portion of long term debt | 295,000 | - | - | 295,000 |
| Due to other funds | 976,899 | - | - | 976,899 |
| Total current liabilities | <u>1,372,700</u> | <u>-</u> | <u>-</u> | <u>1,372,700</u> |
| Noncurrent liabilities: | | | | |
| Deferred revenue | 183,144 | 3,344,800 | - | 3,527,944 |
| Long term debt, net of current portion | 4,560,000 | - | - | 4,560,000 |
| Advance from LMI fund | 592,412 | - | (592,412) | - |
| Total noncurrent liabilities | <u>5,335,556</u> | <u>3,344,800</u> | <u>(592,412)</u> | <u>8,087,944</u> |
| Total liabilities | <u>6,708,256</u> | <u>3,344,800</u> | <u>(592,412)</u> | <u>9,460,644</u> |
| <u>NET POSITION</u> | | | | |
| Held in trust for other governments | <u>(3,631,684)</u> | <u>5,288,979</u> | <u>-</u> | <u>1,657,295</u> |
| Total liabilities and net position | <u>\$ 3,076,572</u> | <u>\$ 8,633,779</u> | <u>\$ (592,412)</u> | <u>\$ 11,117,939</u> |

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the fiscal year ended June 30, 2013

| | Redevelopment Retirement Trust Fund | Redevelopment LMI Retirement Trust Fund | Total |
|--|---|---|---------------------|
| Additions | | | |
| Tax increment revenue | \$ 810,749 | \$ - | \$ 810,749 |
| Other Revenue | - | 61,400 | \$ 61,400 |
| Investment income | <u>24,366</u> | <u>21,504</u> | <u>45,870</u> |
| Total additions | <u>835,115</u> | <u>82,904</u> | <u>918,019</u> |
| Deductions | | | |
| Interest expense | 243,019 | - | 243,019 |
| Project costs | - | - | - |
| State Demand - AB 1484 | - | 1,547,505 | 1,547,505 |
| Other expenses | <u>769</u> | <u>14,969</u> | <u>15,738</u> |
| Total deductions | <u>243,788</u> | <u>1,562,474</u> | <u>1,806,262</u> |
| Extraordinary gain (loss) | <u>-</u> | <u>-</u> | <u>-</u> |
| Transfers | <u>(250,000)</u> | <u>-</u> | <u>(250,000)</u> |
| Change in net position | 341,327 | (1,479,570) | (1,138,243) |
| Net position held in trust - beginning | <u>(3,973,011)</u> | <u>6,768,549</u> | <u>2,795,538</u> |
| Net position held in trust - ending | <u>\$ (3,631,684)</u> | <u>\$ 5,288,979</u> | <u>\$ 1,657,295</u> |

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Clayton (City) is primarily a residential community nestled in the foothills of Mount Diablo in Contra Costa County, California. The City was incorporated as a municipal corporation in 1964, and encompasses four square miles with a population of 10,996.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. The City's staff of 24 full time equivalent employees, of which 10 are sworn officers in the Police Department, are under contract with the City and responsible for the following City services:

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

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, The Financial Reporting Entity. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The 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 in the prior fiscal year, the City no longer has any blended component units.

B. Basis of Accounting and Measurement Focus

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

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

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

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

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

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

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

Landscape Maintenance Fund - This fund was created through a real property special tax to fund the operation and maintenance of citywide public landscaped areas.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. 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 funds:

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

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

The City has the following internal service funds:

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

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

Fiduciary Fund Financial Statements

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements, Continued

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

C. Use of Restricted and Unrestricted Net Position

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

D. Cash and Investments

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

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

The City's investment policy (Policy) states that the primary investment objective is safety with investments being legally permitted and sufficiently liquid to meet forecasted needs. Maximization of interest earnings is a secondary objective. Further, the Policy states that the City Treasurer has the ultimate responsibility to protect, preserve and maintain cash and investments. The Policy also established internal controls and reporting requirements. The Policy stipulates "Permitted Investments and Limitation on Investments."

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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

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

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

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

E. Capital Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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

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

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

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

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

F. Long-Term Liabilities

Government-Wide Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Liabilities, Continued

Fund Financial Statements

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

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

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

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

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. Compensated absences include vacation. It is the policy of the City to pay 100% of the accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position / Fund Balances

Government-Wide Financial Statements

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

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

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

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

Fund Balance Reporting

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Taxes

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

J. Use of Estimates

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

K. Interfund Balances/Internal Balances

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

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

L. New Accounting Pronouncements

- In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The City has no known SCAs that would require disclosure, or have a material effect on the financial statements of the City.
- In November of 2010, GASB issued GASBS No. 61, *The Financial Reporting Entity: Omnibus*. This Statement amends Statements No. 14 and 34, to modify certain requirements for inclusion of component units in the financial reporting entity. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). The City no longer has a component unit that would require disclosure, or have a material effect on the financial statements of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

- In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

- In June of 2011, GASB issued GASBS No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement most likely will not result in a change in current practice, or have a material effect on the financial statements of the City.
- In June of 2011, GASB issued GASBS No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement amends Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The City is required to implement the provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.
- In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

- In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The City is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.
- In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The City is required to implement to provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013). This Statement will result in a change in current practice, or have a material effect on the financial statements of the City.
- In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The City is required to implement to provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will result in a change in current practice, or have a material effect on the financial statements of the City.
- In January of 2013, GASB issued GASBS No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after December 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.
- In April of 2013, GASB issued GASBS No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting. The City is required to implement provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

2. CASH AND INVESTMENTS

| | |
|---|----------------------|
| Statement of Net Position: | |
| Cash and investments | \$ 8,923,840 |
| Statement of Fiduciary Net Position, excluding S.A. funds: | |
| Cash and investments | 1,716,273 |
| Cash with fiscal agents | 423,157 |
| Bonds held in refunding | 3,554,000 |
| Statement of Fiduc. Net Position, Priv. Purp. Trust Fund- Successor Agency: | |
| Cash and investments | 5,910,730 |
| Cash with fiscal agents | 924,815 |
| Total | <u>\$ 21,452,815</u> |

Cash and investments as of June 30, 2013 consist of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 1,000 |
| Deposits with financial institutions | 2,134,817 |
| Investments | 19,316,998 |
| Total | <u>\$ 21,452,815</u> |

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

Investments Authorized by Debt Agreements

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|------------------|---------------------------------|----------------------------------|
| Money Market Mutual Funds | N/A | N/A | N/A |
| U.S. Government Agency Issues | 5 years | 20% | None |
| Federal Housing Administration debentures | N/A | N/A | N/A |
| Commercial paper | 92 Days | N/A | N/A |
| Demand or time deposits | 366 Days | N/A | N/A |

Disclosures Relating to Interest Rate Risk

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The investments are restricted to securities which will by their terms mature not later than the date the Agency estimates the monies represented by the particular investment will be needed for withdrawal from such fund. Monies invested in a reserve account shall be invested in Investment Securities which will by their terms mature prior to the date which is the final maturity date of the bonds.

| Investment Type | Totals | Remaining Maturity (in Months) | | | | | |
|-------------------------------|----------------------|--------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| | | 12 Months or Less | 13 - 24 Months | 25 - 36 Months | 37 - 48 Months | 49 - 60 Months | More than 60 Months |
| State Investment Pool | \$ 4,498,131 | \$ 4,498,131 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Certificates of Deposit | 8,571,491 | 4,004,906 | 2,057,747 | 1,662,449 | 846,389 | - | - |
| Held by bond trustees: | | | | | | | |
| Money Market Funds | 2,443,375 | 2,443,375 | - | - | - | - | - |
| Bonds | 250,001 | 250,001 | - | - | - | - | - |
| Bonds held in refunding | 3,554,000 | 261,000 | 281,000 | 296,000 | 316,000 | 342,000 | 2,058,000 |
| | <u>\$ 19,316,998</u> | <u>\$ 11,457,413</u> | <u>\$ 2,338,747</u> | <u>\$ 1,958,449</u> | <u>\$ 1,162,389</u> | <u>\$ 342,000</u> | <u>\$ 2,058,000</u> |

2. CASH AND INVESTMENTS, Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| Investment Type | Minimum Legal Rating | Exempt from Disclosure | AAA | AA | A | Not Rated |
|-------------------------------|-------------------------|---------------------------|------|------|------|------------|
| State Investment Pool | N/A | \$ - | \$ - | \$ - | \$ - | 4,498,131 |
| Certificates of Deposit | N/A | - | - | - | - | 8,571,491 |
| Held by bond trustees: | | | | | | |
| Money Market Funds | N/A | - | - | - | - | 2,443,375 |
| Bonds | N/A | - | - | - | - | 250,001 |
| Bonds held in refunding | N/A | - | - | - | - | 3,554,000 |
| Total | | \$ - | \$ - | \$ - | \$ - | 19,316,998 |

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

Investments in State Investment Pool

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

3. RECEIVABLES

Notes Receivables

As of June 30, 2013, notes receivable consisted of the following:

| Description | Ending Balance June 30, 2012 | Additions | Deletions | Ending Balance June 30, 2013 |
|-------------------------------------|---------------------------------------|-------------|-------------------|---------------------------------------|
| Oak Street Bridge | \$ 27,936 | \$ - | \$ (4,024) | 23,912 |
| SA to RDA Retirement Trust Fund | 501,899 | - | | 501,899 |
| SA to LMI RDA Retirement Trust Fund | 475,000 | - | | 475,000 |
| Total | <u>\$ 1,004,835</u> | <u>\$ -</u> | <u>\$ (4,024)</u> | <u>\$ 1,000,811</u> |

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2013, the outstanding balance of the note was **\$475,000**.

On February 16, 2010, the former RDA recognized a debt owed to the City in the amount of \$501,899. The debt resulted from the former RDA omitting payment to the City of an annual 2% election payment for twenty-one fiscal years. The City recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. As of June 30, 2013, the balance due from the Successor Agency is **\$501,899**.

In fiscal year 1999, the General Fund provided \$48,310 in funding for a portion of the Oak Street Bridge project and recorded a note receivable from the Oak Street Bridge Assessment District. The note, which bears interest at 6% is being paid off over 20 years. As of June 30, 2013, the outstanding balance due to the General Fund was **\$23,912**.

4. INTERFUND TRANSACTIONS

A. Due To, Due From

At June 30, 2013, the City had the following short-term interfund receivables and payables:

| DUE TO | DUE FROM | | | | Total |
|--------------------------|---------------------|------------------------------------|----------------------|------------------|-------------------|
| | Governmental | | Business-Type | | |
| | Measure J Fund | Non-major Governmental Funds | Community Gym | Endeavor Hall | |
| Governmental Activities: | | | | | |
| General Fund | \$ 540,378 | \$ 166,099 | \$ 37,465 | \$ 23,497 | \$ 767,439 |
| Total | \$ 540,378 | \$ 166,099 | \$ 37,465 | \$ 23,497 | \$ 767,439 |

B. Interfund Transfers

At June 30, 2013, the City had the following transfers:

| TRANSFERS OUT | TRANSFERS IN | | | |
|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | General Fund | Capital Improvement | Non-major Governmental Funds | Total |
| Clayton Landscape Maintenance Fund | \$ 31,402 | \$ 468,601 | \$ 456 | \$ 500,459 |
| Measure J Fund | 4,000 | 839,281 | - | 843,281 |
| Agency Funds | - | - | 456 | 456 |
| Successor Agency Trust Fund | 250,000 | - | - | 250,000 |
| Non-major Governmental Funds | 75,066 | 552,558 | - | 627,624 |
| Total | \$ 360,468 | \$ 1,860,440 | \$ 912 | \$ 2,221,820 |

The City transferred **\$360,468** into the General Fund from the following funds: Successor Agency Private Purpose Trust Fund (**\$250,000**), Clayton Landscape Maintenance Fund (**\$31,402**), Measure J Fund (**\$4,000**), and Non-major Governmental Funds (**\$75,066**) to reimburse the City for administrative expenses. The City transferred **\$1,860,440** into the Capital Improvement Fund for various capital projects from the following funds: Measure J Improvement Fund (**\$839,281**), Clayton Landscape Maintenance Fund (**\$468,601**), and Non-major governmental Funds (**\$552,558**).

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013

4. INTERFUND TRANSACTIONS, Continued

C. Advance to other funds

On September 30, 2004, the City transferred \$35,000 into the Development Impact Fees Fund to provide funding necessary to retain a consultant to prepare a sewer master plan for the potential annexation that is currently being processed by the City. It is the City's intent to recover the sewer master plan fees upon annexation. Additional funding by the City in the amount of \$25,000 was advanced to the Development Impact Fees Fund on May 17, 2005. As of June 30, 2013, the outstanding principal balance of the advance was \$60,000.

D. Note payable

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

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2013, the City's capital assets consisted of the following:

| | Governmental Activities | Business - Type Activities | Total |
|--|-----------------------------|----------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Non depreciable Assets:</i> | | | |
| Land | \$ 2,086,965 | \$ 167,738 | \$ 2,254,703 |
| Construction in progress | 1,260,421 | - | 1,260,421 |
| Total non depreciable assets | <u>3,347,386</u> | <u>167,738</u> | <u>3,515,124</u> |
| <i>Depreciable Assets:</i> | | | |
| Buildings | 5,895,576 | 1,400,744 | 7,296,320 |
| Improvements | 5,824,834 | 151,004 | 5,975,838 |
| Machinery and equipment | 1,216,355 | 5,024 | 1,221,379 |
| Infrastructure | 28,060,500 | - | 28,060,500 |
| Total depreciable assets | <u>40,997,265</u> | <u>1,556,772</u> | <u>42,554,037</u> |
| Total accumulated depreciation | <u>(14,356,262)</u> | <u>(401,695)</u> | <u>(14,757,957)</u> |
| Depreciable assets, net | <u>26,641,003</u> | <u>1,155,077</u> | <u>27,796,080</u> |
| Total governmental activities capital assets, net | <u>\$ 29,988,389</u> | <u>\$ 1,322,815</u> | <u>\$ 31,311,204</u> |

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

| | Balance June 30, 2012 | Additions | Deletions | Transfers and Adjustments | Balance June 30, 2013 |
|--|--------------------------|---------------------|-------------------|------------------------------|--------------------------|
| <i>Non depreciable Assets:</i> | | | | | |
| Land | \$ 1,046,366 | \$ - | \$ - | \$ 1,040,599 | \$ 2,086,965 |
| Construction in progress | 748,254 | 2,370,825 | - | (1,858,658) | 1,260,421 |
| Total non depreciable assets | <u>1,794,620</u> | <u>2,370,825</u> | <u>-</u> | <u>(818,059)</u> | <u>3,347,386</u> |
| <i>Depreciable Assets:</i> | | | | | |
| Buildings | 5,895,576 | - | - | - | 5,895,576 |
| Improvements | 5,824,834 | - | - | - | 5,824,834 |
| Machinery and equipment | 1,306,917 | 89,554 | (180,116) | - | 1,216,355 |
| Infrastructure | 27,242,441 | - | - | 818,059 | 28,060,500 |
| Total depreciable assets | <u>40,269,768</u> | <u>89,554</u> | <u>(180,116)</u> | <u>818,059</u> | <u>40,997,265</u> |
| <i>Accumulated depreciation:</i> | | | | | |
| Buildings | (2,014,884) | (117,750) | - | - | (2,132,634) |
| Improvements | (1,375,281) | (140,862) | - | - | (1,516,143) |
| Machinery and Equipment | (802,384) | (123,775) | 172,299 | - | (753,860) |
| Infrastructure | (9,540,987) | (412,638) | - | - | (9,953,625) |
| Total accumulated depreciation | <u>(13,733,536)</u> | <u>(795,025)</u> | <u>172,999</u> | <u>-</u> | <u>(14,356,262)</u> |
| Depreciable assets, net | <u>26,536,232</u> | <u>(705,471)</u> | <u>(7,817)</u> | <u>818,059</u> | <u>26,641,003</u> |
| Total governmental activities capital assets, net | <u>\$ 28,330,852</u> | <u>\$ 1,665,354</u> | <u>\$ (7,817)</u> | <u>\$ -</u> | <u>\$ 29,988,389</u> |

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

| | |
|---|-------------------|
| Administrative | \$ 25,556 |
| Public works | 587,860 |
| Police | 57,834 |
| Internal service | <u>123,775</u> |
| Total depreciation expense - governmental activities | <u>\$ 795,025</u> |

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City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|---|---------------------------------------|--------------------|------------------|--|
| <i>Non depreciable Assets:</i> | | | | |
| Land | \$ 167,738 | \$ - | \$ - | \$ 167,738 |
| <i>Depreciable Assets:</i> | | | | |
| Buildings | \$ 1,400,744 | \$ - | \$ - | \$ 1,400,744 |
| Improvements | 151,004 | - | - | 151,004 |
| Machinery & Equipment | 5,024 | - | - | 5,024 |
| Total depreciable assets | <u>1,556,772</u> | <u>-</u> | <u>-</u> | <u>1,556,772</u> |
| Accumulated Depreciation | <u>(365,627)</u> | <u>(36,068)</u> | <u>-</u> | <u>(401,695)</u> |
| Depreciable assets, net | <u>1,191,145</u> | <u>(36,068)</u> | <u>-</u> | <u>1,155,077</u> |
| Total business-type activities capital assets, net | <u>\$ 1,358,883</u> | <u>\$ (36,068)</u> | <u>\$ -</u> | <u>\$ 1,322,815</u> |

Business-type activities depreciation expense for capital assets for the year ended June 30, 2013 was as follows:

| | |
|-----------------------------------|-------------------------|
| Endeavor hall | \$ <u>36,068</u> |
| Total depreciation expense | \$ <u>36,068</u> |

B Fund Financial Statements

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

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

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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 accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action. The City recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2013:

| | Beginning Balance <u>July 1, 2012</u> | <u>Additions</u> | Ending Balance <u>June 30, 2013</u> |
|----------------------|---|------------------|---|
| Compensated Absences | \$ <u>148,234</u> | \$ <u>14,677</u> | \$ <u>162,911</u> |

7. NON-CITY OBLIGATIONS

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

Middle School Community Facilities District Bonds in the principal amount of \$6,400,000 were issued on September 2, 1990 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non-city obligations and are secured by facility district revenue. As of June 30, 2013, the outstanding balance of the non-city bond obligation was \$3,554,000.

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

Clayton Station Community Facilities District Bonds in the principal amount of \$1,269,000 were issued on September 2, 2000 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by facility district revenue. As of June 30, 2013 the outstanding balance of the non-city bond obligation was \$347,000.

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, 2013, the outstanding balance of the non-city bond obligation was \$188,325.

7. NON-CITY OBLIGATIONS, Continued

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

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to assist the City of Clayton to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the Community School Local Obligations. As of June 30, 2013, the outstanding balance of the non-city bond obligation was \$3,470,000.

8. OTHER FUND DISCLOSURES

A Expenditures over Appropriations

There were no funds with an excess of expenditures over appropriations in the current fiscal year.

B Deficit Fund Balances

At June 30, 2013, the funds below had the following deficit fund balance or net position:

| | Amount |
|--|-------------------|
| Major- Measure J Fund | \$ 276,965 |
| Non-major- Gas Tax Fund | 145,865 |
| Non-major – Stormwater Treatment District | <u>2,550</u> |
| Total Governmental Funds | <u>\$ 425,380</u> |
| Community Gym | <u>\$ 95,954</u> |
| Total Proprietary Funds | <u>\$ 95,954</u> |

The deficits in the Community Gym and Stormwater Treatment District are expected to be recovered from future revenues.

9. RISK MANAGEMENT

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

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

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

The City's general liability premium payments to the MPA in the amount of \$85,824 for fiscal year 2012-2013 are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The City has had no settlements which exceeded insurance coverage during fiscal year ending June 30, 2013.

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.

At June 30, 2013, the MPA's audited condensed financial information showed:

| | |
|--------------------------------|-----------------------|
| Total assets | \$ <u>47,974,069</u> |
| Total liabilities | \$ <u>37,969,994</u> |
| Total equities | \$ <u>10,004,075</u> |
| Total revenues | \$ <u>19,363,200</u> |
| Total expenses | \$ <u>21,544,464</u> |
| Revenues over (under) expenses | \$ <u>(2,181,264)</u> |

Detailed financial information may be obtained from the MPA.

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

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

Funding Policy – Tier I or “Classic” active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$115,398 for the fiscal year ended June 30, 2013.

All employees hired on or after July 1, 2010 are members of the City’s Tier II CalPERS plan, which differs from Tier I primarily by requiring employees to make 100% of the actuarially-determined Employee CalPERS fixed rate.

Assembly Bill 340 (AB340) created the Public Employees’ Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. In accordance with PEPRA, the City has adopted a Tier III plan for employees hired on or after January 1, 2010. The Tier III plan requires that the City and employee enrolled in the plan shall each pay 50% of the “normal cost rate” as defined by PEPRA. The normal Cost rate is subject to annual changes as ordered by CalPERS.

The City as employer is required to contribute an actuarially determined payment that is reflected as a percentage of annual covered payroll for miscellaneous and safety employees. The required employer contribution rates for the fiscal year 2012-13 was 15.665% for miscellaneous employees and 36.930% for safety employees.

The City's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$547,220, \$591,387 and \$540,095, respectively and equal 100% of the required contributions for each fiscal year, and also included the contributions that the City made on behalf of the employees.

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11. POST EMPLOYMENT HEALTH CARE BENEFITS

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

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

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to pre fund benefits as determined annually by the City Council. For Fiscal Year 2013, there were five retired employees receiving retiree premium benefits. Their contributions totaled \$34,896 (89% of the total) monthly contributions. The City contributed retiree premiums of \$4,453 (11% of the total) and there was no additional pre funding contribution.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's OPEB obligation for the program:

| | | |
|--|----|----------------------|
| Annual required contribution (ARC) | \$ | 45,457 |
| Interest on net OPEB obligation | | 2,756 |
| Adjustment to ARC | | <u>(3,832)</u> |
| Annual OPEB cost | | 44,381 |
| Contributions made by the City | | (4,453) |
| Contributions made by the retirees | | <u>(34,896)</u> |
| Increase (decrease) in net OPEB obligation | | 5,032 |
| Net OPEB obligation (asset) at beginning of 2013 | | <u>68,907</u> |
| Net OPEB obligation (asset) at end of 2013 | \$ | <u><u>73,939</u></u> |

The City's annual OPEB cost was \$44,381 resulting in a net OPEB obligation of \$73,939. The fiscal year ended June 30, 2010 was the first year for which an actuarially determined ARC of \$50,667 was calculated for the City of Clayton Retired Employees Health Care Program. The total implied subsidies for the years ended June 30, 2012 and 2013 were \$35,616 and \$39,349, respectively.

11. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

Funded Status and Funding Progress- The City's actuarial Accrued Liability (AAL) and unfunded Actuarial Accrued Liability (UAAL) is \$428,065, which is 22% of the \$1,934,929 City payroll. There are no plan assets and as of June 30, 2013, since the OPEB trust has not yet been set up.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision every three years.

Actuarial Methods and Assumptions- The City of Clayton, in accordance with GASB 45, employed the Alternative Measurement Method to determine the OPEB obligation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time valuation.

In the July 1, 2012 actuarial valuation, the Entry Age Normal method was used. The actuarial assumptions included a 4.0% investment rate of return, and an annual healthcare cost increase rate of 7% initially, reduced ultimately to 5% by 2023. The UAAL is being amortized using the level dollar method. The remaining amortization period at June 30, 2013 was 27 years.

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

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

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

Amongst numerous requirements, AB IX 26 requires the following:

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

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

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

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

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

- ii. Requirements that the Successor Agency must complete reviews (Due Diligence Reviews) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. As of the date of this report, a draft Due Diligence Review for LMIF was initiated, however, has not been finalized. The report finalization was awaiting the acceptance by the State Department of Finance on the Successor Housing Asset Transfers, which occurred in March 2013. The Due Diligence review for all other funds has not yet been initiated as this process was pending the completion and issuance of the City's fiscal year 2010-11 and 2011-12 audited financial statements, which was finalized in November 2013.

It is expected that the Due Diligence Reviews will be completed by June 2014.

- iii. Upon successful completion of the Due Diligence Reviews and the distribution of unobligated funds, the Successor Agency can apply for a Finding of Completion. The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition by receiving the Finding of Completion, the City may establish loans between the City and the former Redevelopment Agency as enforceable obligations. As noted previously, as of the date of this report, the City's Due Diligence Reviews had not been finalized.

A Successor Agency Assets and Liabilities

Cash and Investments

The total cash and investments balance of \$5,910,730 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB IX 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor Controller for distribution to taxing entities. See note 4 for further information and disclosures regarding the City's pooled cash and investments.

Restricted Cash and Investments

\$924,815 represents cash and investments held by fiscal agents at June 30, 2013, which has been designated for debt service payments.

B Loans To Other Funds

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

The former RDA provided assistance to special assessment districts within the City, to fund repairs and improvements. There are three districts which received loans from the former RDA. As of June 30, 2012, the outstanding balance of the loans due to the Successor Agency was \$183,144.

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

B Loans To Other Funds, continued

On September 21, 1999, the former RDA made a loan to the Professional Apartment Management, Inc. ("PAM") in the amount of \$750,000, at a non-interest bearing rate, to construct and develop an affordable senior assisted living center on the site known as "Diamond Terrace." The note is secured by the Deed of Trust. The former RDA loaned an additional \$1,286,000 on October 24, 2001. On December 1, 2003, PAM began drawing on a \$2,000,000 loan from the former RDA in the amount of \$200,000 annually. The principal balance is payable commencing on October 1, 2005 through October 1, 2030. As of June 30, 2013, the outstanding balance of the loan due to the Successor Agency was \$3,344,800.

On October 13, 1992, the former RDA made a loan to the Peace Grove, Inc. in the amount of \$567,000, at a non-interest bearing rate, for the purchase of land for a redevelopment and housing project for low-income mental health system clients. The loan is secured by the Deed of Trust. The principal balance is payable on December 18, 2052. As of June 30, 2013, the outstanding balance of the loan due to the Successor Agency was \$567,000.

The former RDA participated in a second mortgage assistance program, whereby qualified applicants are loaned money for a "silent second" down payment to purchase a home in the Stranahan Development within the City. There are seven individual loans outstanding. As of June 30, 2013, the outstanding balance of the loans due to the Successor Agency was \$187,450.

C Due To the City Of Clayton

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2013, the outstanding balance of the note was \$475,000.

On February 16, 2010, the former RDA recognized a debt owed to the City in the amount of \$501,899. The debt resulted from the former RDA omitting payment to the City of an annual 2% election payment for twenty-one fiscal years. The City recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. As of June 30, 2013, the balance due from the Successor Agency is \$501,899.

D Advance From LMI Fund

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

E Long-Term Debt

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2013:

| | Balance | | Balance | | Due within | Due in more |
|--|---------------|-------------|---------------|------------|---------------|-------------|
| | June 30, 2012 | Deletions | June 30, 2013 | One Year | than One Year | |
| 1996 Series A Refunding Tax Allocation Bonds | \$ 230,000 | \$ - | \$ 230,000 | \$ - | \$ 230,000 | |
| 1999 Tax Allocation Bonds | 4,905,000 | (280,000) | 4,625,000 | 295,000 | 4,330,000 | |
| Total | \$ 5,135,000 | \$(280,000) | \$ 4,855,000 | \$ 295,000 | \$ 4,560,000 | |

1996 Series A Refunding Tax Allocation Bonds

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

The annual debt service requirements to amortize the Successor Agency's 1996 Refunding Tax Allocation Bonds outstanding at June 30, 2013, were as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|------------|-----------|------------|
| June 30, | | | |
| 2014 | \$ - | \$ 12,363 | \$ 12,363 |
| 2015 | - | 12,363 | 12,363 |
| 2016 | - | 12,363 | 12,363 |
| 2017 | - | 12,363 | 12,363 |
| 2018 | 55,000 | 10,884 | 65,884 |
| 2019-2022 | 175,000 | 14,376 | 189,376 |
| Total | \$ 230,000 | \$ 74,712 | \$ 304,712 |

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

E Long-Term Debt, Continued

1999 Tax Allocation Bonds

1999 Issue Tax Allocation Bonds in the principal amount of \$7,460,000 were issued on June 15, 1999 by the former RDA. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. The bonds are special obligations of the Successor Agency to the RDA and are secured by the Successor Agency to the RDA's tax increment revenues. The annual debt service requirements to amortize the Successor Agency's 1999 Tax Allocation Bonds outstanding at June 30, 2012, were as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2014 | \$ 295,000 | \$ 222,554 | \$ 517,554 |
| 2015 | 310,000 | 208,030 | 518,030 |
| 2016 | 320,000 | 192,672 | 512,672 |
| 2017 | 335,000 | 176,541 | 511,541 |
| 2018 | 355,000 | 159,375 | 514,375 |
| 2019-2023 | 2,045,000 | 506,625 | 2,551,625 |
| 2024-2025 | 965,000 | 48,875 | 1,013,875 |
| Total | <u>\$ 4,625,000</u> | <u>\$ 1,514,672</u> | <u>\$ 6,139,672</u> |

13. CONTINGENCIES

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

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2013, the date on which the financial statements were available to be issued. There are no known material violations of finance-related legal and contractual provisions

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REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY PRINCIPLES

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

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

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

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

**City of Clayton
Budgetary Comparison Schedule
General Fund**

For the fiscal year ended June 30, 2013

| | <u>Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance from Final Budget Favorable (Unfavorable)</u> |
|---|---------------------|---------------------|------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,539,931 | \$ 1,539,931 | \$ 1,691,803 | \$ 151,872 |
| Program income | 5,672 | 5,672 | 10,546 | 4,874 |
| Sales tax | 304,500 | 304,500 | 353,525 | 49,025 |
| Permits, licenses and fees | 236,957 | 236,957 | 255,984 | 19,027 |
| Fines, forfeitures and penalties | 63,500 | 63,500 | 93,328 | 29,828 |
| From other agencies | 67,384 | 67,384 | 79,607 | 12,223 |
| Other in-lieu fees | 145,921 | 145,921 | 145,921 | - |
| Franchise fees | 462,782 | 462,782 | 479,765 | 16,983 |
| Service charges | 115,162 | 115,162 | 125,387 | 10,225 |
| Use of money and property | 145,000 | 145,000 | 38,453 | (106,547) |
| Other revenue | 23,700 | 23,700 | 89,314 | 65,614 |
| TOTAL REVENUES | <u>3,110,509</u> | <u>3,110,509</u> | <u>3,363,633</u> | <u>253,124</u> |
| EXPENDITURES | | | | |
| Legislative | 65,914 | 68,832 | 64,486 | 4,346 |
| Admin/Finance | 799,766 | 807,518 | 787,842 | 19,676 |
| Public works | 112,257 | 242,155 | 156,279 | 85,876 |
| Community park | 178,254 | 178,254 | 215,994 | (37,740) |
| Community development | 264,221 | 265,285 | 262,145 | 3,140 |
| General services | 149,374 | 164,225 | 105,352 | 58,873 |
| Police | 1,875,294 | 1,890,071 | 1,867,432 | 22,639 |
| Library | 129,551 | 132,485 | 140,451 | (7,966) |
| Engineering | 93,540 | 93,540 | 97,960 | (4,420) |
| TOTAL EXPENDITURES | <u>3,668,171</u> | <u>3,842,365</u> | <u>3,697,941</u> | <u>144,424</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(557,662)</u> | <u>(731,856)</u> | <u>(334,308)</u> | <u>397,548</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 360,468 | 360,468 | 360,468 | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>360,468</u> | <u>360,468</u> | <u>360,468</u> | <u>-</u> |
| Net Change | <u>\$ (197,194)</u> | <u>\$ (371,388)</u> | <u>26,160</u> | <u>\$ 397,548</u> |
| FUND BALANCES: | | | | |
| Beginning of year | | | <u>5,356,425</u> | |
| End of year | | | <u>5,382,585</u> | |

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MAJOR FUNDS

**City of Clayton
 Budgetary Comparison Schedule
 Capital Improvements Fund**

For the fiscal year ended June 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | Variance from Final Budget Favorable (Unfavorable) |
|--|-----------------------|---------------------|---|
| REVENUES | | | |
| From other agencies | \$ 420,438 | \$ - | \$ (420,438) |
| Use of money and property | - | 22,432 | 22,432 |
| Other revenue | - | <u>23,810</u> | <u>23,810</u> |
| TOTAL REVENUES | <u>420,438</u> | <u>46,242</u> | <u>(374,196)</u> |
| EXPENDITURES | | | |
| Highway and streets | - | 133,042 | (133,042) |
| Landscape maintenance | - | 45,636 | (45,636) |
| Capital outlay | <u>3,856,138</u> | <u>2,362,912</u> | <u>1,493,226</u> |
| TOTAL EXPENDITURES | <u>3,856,138</u> | <u>2,541,590</u> | <u>1,314,548</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(3,435,700)</u> | <u>(2,495,348)</u> | <u>940,352</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>2,138,449</u> | <u>1,860,440</u> | <u>(278,009)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>2,138,449</u> | <u>1,860,440</u> | <u>(278,009)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (1,297,251)</u> | (634,908) | <u>\$ 662,343</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>3,147,314</u> | |
| End of year | | <u>\$ 2,512,406</u> | |

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

| For the fiscal year ended June 30, 2013 | | | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|-------------------|---|
| | <u>Final Budget</u> | <u>Actual</u> | <u>(Unfavorable)</u> |
| REVENUES | | | |
| Special Assessments | \$ 955,711 | \$ 954,704 | \$ (1,007) |
| Use of money and property | 5,000 | (3,447) | (8,447) |
| Other revenue | <u>-</u> | <u>(150)</u> | <u>(150)</u> |
| TOTAL REVENUES | <u>960,711</u> | <u>951,107</u> | <u>(9,604)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Landscape maintenance | 1,030,066 | 792,154 | 237,912 |
| Capital outlay | <u>-</u> | <u>7,913</u> | <u>(7,913)</u> |
| TOTAL EXPENDITURES | <u>1,030,066</u> | <u>800,067</u> | <u>229,999</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(69,355)</u> | <u>151,040</u> | <u>220,395</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(426,402)</u> | <u>(500,459)</u> | <u>(74,057)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(426,402)</u> | <u>(500,459)</u> | <u>(74,057)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$(495,757)</u> | <u>(349,419)</u> | <u>\$ 146,338</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>507,279</u> | |
| End of year | | <u>\$ 157,860</u> | |

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

| For the fiscal year ended June 30, 2013 | | | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|---------------------|---|
| | <u>Final Budget</u> | <u>Actual</u> | |
| REVENUES | | | |
| From other agencies | \$ 234,212 | \$ 263,413 | \$ 29,201 |
| Use of money and property | - | - | - |
| Other revenue | <u>1,022,224</u> | <u>-</u> | <u>(1,022,224)</u> |
| TOTAL REVENUES | <u>1,256,436</u> | <u>263,413</u> | <u>(993,023)</u> |
| EXPENDITURES | | | |
| Highway and streets | <u>4,392</u> | <u>566</u> | <u>3,826</u> |
| TOTAL EXPENDITURES | <u>4,392</u> | <u>566</u> | <u>3,826</u> |
| REVENUES OVER (UNDER) EXPENDITURES | 1,252,044 | 262,847 | (989,197) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(1,252,044)</u> | <u>(843,281)</u> | <u>408,763</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,252,044)</u> | <u>(843,281)</u> | <u>408,763</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ -</u> | (580,434) | <u>\$ (580,434)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>303,469</u> | |
| End of year | | <u>\$ (276,965)</u> | |

NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

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

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

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

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

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

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

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

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

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

Non-Major Debt Service Fund:

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

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

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
For the fiscal year ended June 30, 2013

| | Special Revenue | | | |
|---|--------------------------|---|--------------------------|--------------------------|
| | Street Lighting | Stormwater Treatment District Assessment Fund | Stormwater Assessment | Presley Settlement |
| ASSETS | | | | |
| Cash and investments | \$ 157,679 | \$ - | \$ 168,875 | \$ 118,730 |
| Accounts receivable | - | - | 13,488 | - |
| TOTAL ASSETS | <u>\$ 157,679</u> | <u>\$ -</u> | <u>\$ 182,363</u> | <u>\$ 118,730</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 8,474 | \$ - | \$ 3,819 | \$ - |
| Other payables | 251 | - | 56 | - |
| Deferred revenue | - | - | - | - |
| Due to other funds | - | 2,550 | - | - |
| TOTAL LIABILITIES | <u>8,725</u> | <u>2,550</u> | <u>3,875</u> | <u>-</u> |
| FUND BALANCE | | | | |
| Committed for: | | | | |
| Stated purpose of fund | 148,954 | - | 178,488 | 118,730 |
| Unassigned | - | (2,550) | - | - |
| TOTAL FUND Balance | <u>148,954</u> | <u>(2,550)</u> | <u>178,488</u> | <u>118,730</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 157,679</u> | <u>\$ -</u> | <u>\$ 182,363</u> | <u>\$ 118,730</u> |

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
For the fiscal year ended June 30, 2013

| Oakhurst Geological Hazard Abatement District | Special Revenue | | | Debt Service | Total Other Governmental Funds |
|---|-------------------|------------------|----------------------|-----------------------------------|--------------------------------------|
| | Grants | Gas Tax | Downtown Park CFD | Clayton Financing Authority | |
| \$ 25,082 | \$ 212,881 | \$ - | \$ 285,193 | \$ 688,709 | \$ 1,657,149 |
| <u>-</u> | <u>43,531</u> | <u>26,162</u> | <u>40,000</u> | <u>-</u> | <u>123,181</u> |
| <u>\$ 25,082</u> | <u>\$ 256,412</u> | <u>\$ 26,162</u> | <u>\$ 325,193</u> | <u>\$ 688,709</u> | <u>\$ 1,780,330</u> |
| \$ - | \$ - | \$ 3,466 | \$ 2,954 | \$ - | \$ 18,713 |
| - | 2,597 | 5,012 | 703 | - | 8,619 |
| - | - | - | 40,000 | - | 40,000 |
| <u>-</u> | <u>-</u> | <u>163,549</u> | <u>-</u> | <u>-</u> | <u>166,099</u> |
| <u>-</u> | <u>2,597</u> | <u>172,027</u> | <u>43,657</u> | <u>-</u> | <u>233,431</u> |
| 25,082 | 253,815 | - | 281,536 | 688,709 | 1,695,314 |
| <u>-</u> | <u>-</u> | <u>(145,865)</u> | <u>-</u> | <u>-</u> | <u>(148,415)</u> |
| <u>25,082</u> | <u>253,815</u> | <u>(145,865)</u> | <u>281,536</u> | <u>688,709</u> | <u>1,546,899</u> |
| <u>\$ 25,082</u> | <u>\$ 256,412</u> | <u>\$ 26,162</u> | <u>\$ 325,193</u> | <u>\$ 688,709</u> | <u>\$ 1,780,330</u> |

City of Clayton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2013

| | Special Revenue | | | |
|---|--------------------|---|--------------------------|-----------------------|
| | Street Lighting | Stormwater Treatment District Assessment Fund | Stormwater Assessment | Presley Settlement |
| REVENUES | | | | |
| Special assessments | \$ 125,991 | \$ - | \$ 91,865 | \$ - |
| Permits, licenses and fees | - | - | 40,523 | - |
| From other agencies | - | - | - | - |
| Use of money and property | 1,638 | - | 1,657 | 1,164 |
| Other revenue | - | - | 1,836 | - |
| TOTAL REVENUES | <u>127,629</u> | <u>-</u> | <u>135,881</u> | <u>1,164</u> |
| EXPENDITURES | | | | |
| General Government | | | | |
| Economic development | 267 | - | 2,074 | - |
| Highway and streets | 97,106 | - | 100,688 | - |
| Landscape maintenance | - | - | 450 | - |
| TOTAL EXPENDITURES | <u>97,373</u> | <u>-</u> | <u>103,212</u> | <u>-</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>30,256</u> | <u>-</u> | <u>32,669</u> | <u>1,164</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 912 | - |
| Transfers out | (10,280) | - | (32,500) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(10,280)</u> | <u>-</u> | <u>(31,588)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 19,976 | - | 1,081 | 1,164 |
| FUND BALANCES | | | | |
| Beginning of year | <u>128,978</u> | <u>(2,550)</u> | <u>177,407</u> | <u>117,566</u> |
| End of year | <u>\$ 148,954</u> | <u>\$ (2,550)</u> | <u>\$ 178,488</u> | <u>\$ 118,730</u> |

City of Clayton
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2013

| Oakhurst Geological Hazard Abatement District | Special Revenue | | | Debt Service | Total Other Governmental Funds |
|---|-------------------|---------------------|----------------------|-----------------------------------|--------------------------------------|
| | Grants | Gas Tax | Downtown Park CFD | Clayton Financing Authority | |
| \$ 34,685 | \$ - | \$ 25,035 | \$ - | \$ - | \$ 277,576 |
| - | - | - | 472 | - | 40,995 |
| - | 124,110 | 255,437 | 113,474 | - | 493,021 |
| 427 | 2,071 | (1,228) | 3,083 | 5,725 | 14,537 |
| <u>11,489</u> | <u>-</u> | <u>2,496</u> | <u>9,733</u> | <u>-</u> | <u>25,554</u> |
| <u>46,601</u> | <u>126,181</u> | <u>281,740</u> | <u>126,762</u> | <u>5,725</u> | <u>851,683</u> |
| 7,702 | 76,111 | - | - | - | 86,154 |
| - | - | 92,218 | - | - | 290,012 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>84,460</u> | <u>-</u> | <u>84,910</u> |
| <u>7,702</u> | <u>76,111</u> | <u>92,218</u> | <u>84,460</u> | <u>-</u> | <u>461,076</u> |
| <u>38,899</u> | <u>50,070</u> | <u>189,522</u> | <u>42,302</u> | <u>5,725</u> | <u>390,607</u> |
| - | - | - | - | - | 912 |
| <u>(19,200)</u> | <u>-</u> | <u>(469,245)</u> | <u>(6,399)</u> | <u>(90,000)</u> | <u>(627,624)</u> |
| <u>(19,200)</u> | <u>-</u> | <u>(469,245)</u> | <u>(6,399)</u> | <u>(90,000)</u> | <u>(626,712)</u> |
| 19,699 | 50,070 | (279,723) | 35,903 | (84,275) | (236,105) |
| <u>5,383</u> | <u>203,745</u> | <u>133,858</u> | <u>245,633</u> | <u>772,984</u> | <u>1,783,004</u> |
| <u>\$ 25,082</u> | <u>\$ 253,815</u> | <u>\$ (145,865)</u> | <u>\$ 281,536</u> | <u>\$ 688,709</u> | <u>\$ 1,546,899</u> |

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

For the fiscal year ended June 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | Variance from Final Budget Favorable <u>(Unfavorable)</u> |
|--|---------------------|------------------|--|
| REVENUES | | | |
| From other agencies | \$ 114,145 | \$113,474 | \$ (671) |
| Permits, licenses and fees | - | 472 | 472 |
| Use of money and property | 2,000 | 3,083 | 1,083 |
| Other revenue | <u>10,000</u> | <u>9,733</u> | <u>(267)</u> |
| TOTAL REVENUES | <u>126,145</u> | <u>126,762</u> | <u>617</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Landscape maintenance | <u>125,154</u> | <u>84,460</u> | <u>40,694</u> |
| TOTAL EXPENDITURES | <u>125,154</u> | <u>84,460</u> | <u>40,694</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>991</u> | <u>42,302</u> | <u>41,311</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(6,399)</u> | <u>(6,399)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(6,399)</u> | <u>(6,399)</u> | <u>-</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (5,408)</u> | 35,903 | <u>\$ 41,311</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>245,633</u> | |
| End of year | | <u>\$281,536</u> | |

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

| For the fiscal year ended June 30, 2013 | | | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|--------------------|---|
| | <u>Final Budget</u> | <u>Actual</u> | |
| REVENUES | | | |
| Special assessments | \$ 26,894 | \$ 25,035 | \$ (1,859) |
| From other agencies | 289,479 | 255,437 | (34,042) |
| Use of money and property | 1,500 | (1,228) | (2,728) |
| Other revenue | <u>-</u> | <u>2,496</u> | <u>2,496</u> |
| TOTAL REVENUES | <u>317,873</u> | <u>281,740</u> | <u>(36,133)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Highway and streets | <u>165,590</u> | <u>92,218</u> | <u>73,372</u> |
| TOTAL EXPENDITURES | <u>165,590</u> | <u>92,218</u> | <u>73,372</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>152,283</u> | <u>189,522</u> | <u>37,239</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(412,092)</u> | <u>(469,245)</u> | <u>(57,153)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(412,092)</u> | <u>(469,245)</u> | <u>(57,153)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$(259,809)</u> | <u>(279,723)</u> | <u>\$ (19,914)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>133,858</u> | |
| End of year | | <u>\$(145,865)</u> | |

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

For the fiscal year ended June 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|------------------|---|
| REVENUES | | | |
| From other agencies | \$ 119,805 | \$124,110 | \$ 4,305 |
| Use of money and property | <u>2,000</u> | <u>2,071</u> | <u>71</u> |
| TOTAL REVENUES | <u>121,805</u> | <u>126,181</u> | <u>4,376</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | 110,174 | 76,111 | 34,063 |
| Capital Outlay | <u>7,183</u> | <u>-</u> | <u>7,183</u> |
| TOTAL EXPENDITURES | <u>117,357</u> | <u>76,111</u> | <u>41,246</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ 4,448</u> | 50,070 | <u>\$ 45,622</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>203,745</u> | |
| End of year | | <u>\$253,815</u> | |

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

For the fiscal year ended June 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|------------------|---|
| REVENUES | | | |
| Special assessments | \$ 36,685 | \$ 34,685 | \$ (2,000) |
| Use of money and property | 130 | 427 | 297 |
| Other revenue | <u>-</u> | <u>11,489</u> | <u>11,489</u> |
| TOTAL REVENUES | <u>36,815</u> | <u>46,601</u> | <u>9,786</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | <u>11,782</u> | <u>7,702</u> | <u>4,080</u> |
| TOTAL EXPENDITURES | <u>11,782</u> | <u>7,702</u> | <u>4,080</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>25,033</u> | <u>38,899</u> | <u>13,866</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(19,200)</u> | <u>(19,200)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(19,200)</u> | <u>(19,200)</u> | <u>-</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ 5,833</u> | 19,699 | <u>\$ 13,866</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>5,383</u> | |
| End of year | | <u>\$ 25,082</u> | |

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

| For the fiscal year ended June 30, 2013 | | | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|------------------|---|
| | <u>Final Budget</u> | <u>Actual</u> | |
| REVENUES | | | |
| Special assessments | \$ 82,623 | \$ 91,865 | \$ 9,242 |
| Permits, licenses and fees | 40,945 | 40,523 | (422) |
| Use of money and property | 1,000 | 1,657 | 657 |
| Other revenue | <u>-</u> | <u>1,836</u> | <u>1,836</u> |
| TOTAL REVENUES | <u>124,568</u> | <u>135,881</u> | <u>11,313</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | - | 2,074 | (2,074) |
| Highway and streets | 138,056 | 100,688 | 37,368 |
| Landscape maintenance | - | 450 | (450) |
| Capital Outlay | <u>3,000</u> | <u>-</u> | <u>3,000</u> |
| TOTAL EXPENDITURES | <u>141,056</u> | <u>103,212</u> | <u>37,844</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(16,488)</u> | <u>32,669</u> | <u>49,157</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 912 | 912 |
| Transfers out | <u>32,500</u> | <u>(32,500)</u> | <u>(65,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>32,500</u> | <u>(31,588)</u> | <u>(64,088)</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ 16,012</u> | 1,081 | <u>\$ (14,931)</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>177,407</u> | |
| End of year | | <u>\$178,488</u> | |

City of Clayton
Budgetary Comparison Schedule
Street Lighting Special Revenue Fund

| For the fiscal year ended June 30, 2013 | <u>Final Budget</u> | <u>Actual</u> | Variance from Final Budget Favorable (Unfavorable) |
|--|---------------------|------------------|---|
| REVENUES | | | |
| Special assessments | \$ 125,991 | \$125,991 | \$ - |
| Use of money and property | <u>2,000</u> | <u>1,638</u> | <u>(362)</u> |
| TOTAL REVENUES | <u>127,991</u> | <u>127,629</u> | <u>(362)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Economic development | - | 267 | (267) |
| Highway and streets | <u>120,731</u> | <u>97,106</u> | <u>23,625</u> |
| TOTAL EXPENDITURES | <u>120,731</u> | <u>97,373</u> | <u>23,358</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>7,260</u> | <u>30,256</u> | <u>22,996</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(10,280)</u> | <u>(10,280)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(10,280)</u> | <u>(10,280)</u> | <u>-</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (3,020)</u> | 19,976 | <u>\$ 22,996</u> |
| FUND BALANCES: | | | |
| Beginning of year | | <u>128,978</u> | |
| End of year | | <u>\$148,954</u> | |

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INTERNAL SERVICE FUNDS

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

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

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

City of Clayton
Combining Balance Sheet
Internal Service Funds
June 30, 2013

| | <u>Capital Replacement</u> | <u>Self-Insurance Liability</u> | <u>Total</u> |
|---|--------------------------------|-------------------------------------|------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | \$ 85,583 | \$ 21,721 | \$107,304 |
| Noncurrent Assets: | | | |
| Depreciable assets, net | <u>462,495</u> | <u>-</u> | <u>462,495</u> |
| TOTAL ASSETS | <u>548,078</u> | <u>21,721</u> | <u>569,799</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 462,495 | - | 462,495 |
| Unrestricted | <u>85,583</u> | <u>21,721</u> | <u>107,304</u> |
| TOTAL NET POSITION | <u>\$ 548,078</u> | <u>\$ 21,721</u> | <u>\$569,799</u> |

City of Clayton
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

| | <u>Capital Replacement</u> | <u>Self-Insurance Liability</u> | <u>Total</u> |
|---|--------------------------------|-------------------------------------|-------------------|
| OPERATING REVENUES | | | |
| Charges for current services | \$ 16,200 | \$ - | \$ 16,200 |
| TOTAL OPERATING REVENUES | <u>16,200</u> | <u>-</u> | <u>16,200</u> |
| OPERATING EXPENSES | | | |
| General and administrative | 6,308 | 8,170 | 14,478 |
| Depreciation and amortization | <u>123,775</u> | <u>-</u> | <u>123,775</u> |
| TOTAL OPERATING EXPENSES | <u>130,083</u> | <u>8,170</u> | <u>138,253</u> |
| OPERATING INCOME (LOSS) | (113,883) | (8,170) | (122,053) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Transfer from trust and agency funds- write-off of deposits | - | - | - |
| Loss on disposal of assets | (7,817) | - | (7,817) |
| Investment income (loss) | <u>(69)</u> | <u>112</u> | <u>43</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(7,886)</u> | <u>112</u> | <u>(7,774)</u> |
| CHANGE IN NET POSITION | (121,769) | (8,058) | (129,827) |
| Beginning of fiscal year | <u>669,847</u> | <u>29,779</u> | <u>699,626</u> |
| End of fiscal year | <u>\$ 548,078</u> | <u>\$ 21,721</u> | <u>\$ 569,799</u> |

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013

| | <u>Capital Replacement</u> | <u>Self-Insurance Liability</u> | <u>Total</u> |
|---|--------------------------------|-------------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash receipt from customers/otherfunds | 16,200 | - | 16,200 |
| Cash payment to suppliers for good and services | <u>(9,193)</u> | <u>(8,526)</u> | <u>(17,719)</u> |
| Net cash provided (used) by operating activities | <u>7,007</u> | <u>(8,526)</u> | <u>(1,519)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of fixed assets | <u>(89,554)</u> | - | <u>(89,554)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(89,554)</u> | - | <u>(89,554)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received on investments | <u>(69)</u> | <u>112</u> | <u>43</u> |
| Net Cash provided (used) by investing activities | <u>(69)</u> | <u>112</u> | <u>43</u> |
| Net increase (decrease) in cash and cash equivalents | (82,616) | (8,414) | (91,030) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of fiscal year | <u>168,199</u> | <u>30,135</u> | <u>198,334</u> |
| End of fiscal year | <u>\$ 85,583</u> | <u>\$ 21,721</u> | <u>\$107,304</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | (113,883) | (8,170) | (122,053) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 123,775 | - | 123,775 |
| Accounts payable | <u>(2,885)</u> | <u>(356)</u> | <u>(3,241)</u> |
| Total Adjustments | <u>120,890</u> | <u>(356)</u> | <u>120,534</u> |
| Net cash provided (used) by operating activities | <u>\$ 7,007</u> | <u>\$ (8,526)</u> | <u>\$ (1,519)</u> |

AGENCY FUNDS

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

Deposits – represents funds held for:

Performance Deposits

Clayton Community Library Foundation Deposits

Clayton Community Gym Donation Deposits

Rental Deposits

Planning Services Deposits

Other Deposits

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

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

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

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

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

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

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

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

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

City of Clayton
Statements of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013

| | <u>Deposits</u> | <u>Oakhurst Assessment District</u> | <u>Middle School CFD</u> | <u>Clayton Station CFD</u> | <u>High Street Bridge</u> |
|--------------------------|-------------------|---|------------------------------|------------------------------------|-----------------------------------|
| Assets: | | | | | |
| Cash and investments | \$ 727,787 | \$ 5,828 | \$ 537,949 | \$ 191,925 | \$ 4,277 |
| Cash with fiscal agent | - | - | 133,739 | - | - |
| Investment in bonds | - | - | 3,554,000 | - | - |
| Other receivables | 9,546 | - | - | - | 29,894 |
| | <u>\$ 737,333</u> | <u>\$ 5,828</u> | <u>\$ 4,225,688</u> | <u>\$ 191,925</u> | <u>\$ 34,171</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 5,005 | \$ - | \$ - | \$ - | \$ 29,894 |
| Other payables | 371 | - | - | - | 4,200 |
| Other deposits | 658,736 | - | - | - | - |
| Due to bondholders | 73,221 | 5,828 | 4,225,688 | 191,925 | 77 |
| Total liabilities | <u>\$ 737,333</u> | <u>\$ 5,828</u> | <u>\$ 4,225,688</u> | <u>\$ 191,925</u> | <u>\$ 34,171</u> |

City of Clayton
Statements of Changes in Assets and Liabilities, Continued
Agency Funds
For the Fiscal Year Ended June 30, 2013

| Oak Street Bridge | Lydia Lane Sewer Assessment | Oak Street Sewer Assessment | CFA- Clayton Financing Authority 2007 | Diablo Estates Benefit District | Total | June 30, 2012 |
|----------------------|-----------------------------------|-----------------------------------|---|--|---------------------|---------------------|
| \$ 17,526 | \$ 72,211 | \$ 4,168 | \$ 130,153 | \$ 24,449 | \$ 1,716,273 | \$ 1,702,396 |
| - | 14,634 | - | 274,784 | - | 423,157 | 358,224 |
| - | - | - | - | - | 3,554,000 | 3,800,000 |
| 23,913 | 183,325 | 153,250 | - | - | 399,928 | 413,953 |
| <u>\$ 41,439</u> | <u>\$ 270,170</u> | <u>\$ 157,418</u> | <u>\$ 404,937</u> | <u>\$ 24,449</u> | <u>\$ 6,093,358</u> | <u>\$ 6,274,573</u> |
| \$ 23,913 | \$ 183,325 | \$ 153,250 | \$ - | \$ 450 | \$ 395,837 | \$ 444,519 |
| 17,265 | - | - | - | - | 21,836 | 19,865 |
| - | - | - | - | 11,550 | 670,286 | 577,973 |
| 261 | 86,845 | 4,168 | 404,937 | 12,449 | 5,005,399 | 5,232,216 |
| <u>\$ 41,439</u> | <u>\$ 270,170</u> | <u>\$ 157,418</u> | <u>\$ 404,937</u> | <u>\$ 24,449</u> | <u>\$ 6,093,358</u> | <u>\$ 6,274,573</u> |

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

To the City Council
City of Clayton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clayton as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Clayton's basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clayton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
December 20, 2013