

City of Clayton

Clayton, California

*Basic Financial Statements
and Independent Auditors' Report*

For the fiscal year ended June 30, 2010

City of Clayton
Basic Financial Statements
June 30, 2010
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INTRODUCTORY SECTION

INDEPENDENT AUDITORS' REPORT 1

INDEPENDENT AUDITORS' REPORT 2

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City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2010

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, 2010. We encourage readers to consider this information in conjunction with the additional information that is furnished with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government -Wide Highlights

Net Assets - The assets of the City of Clayton exceeded its liabilities at the close of the most recent fiscal year by \$42,573,506. Of this amount, \$2,443,450 was reported as "unrestricted net assets" and may be used to meet the on going obligations to citizens and creditors.

Changes in Net Assets - The City's total net assets decreased by \$(231,079) in fiscal year 2010. This included a prior period adjustment of \$30,822 as described in note 13. Net assets of governmental activities decreased by \$(386,744) , while net assets of business type activities increased by \$155,665 .

Major Fund Highlights

Governmental Funds - As of the close of fiscal year 2010, the City's governmental funds reported a combined ending fund balance of \$18,032,575. Of this amount \$4,324,933 represents "unreserved fund balances" (or working equity) available for appropriation.

General Fund - The unreserved undesignated fund balance of the general fund on June 30, 2010 was \$ 4,324,933, an increase of \$8,220 from the prior fiscal year while the total fund balance including reserved funds for advances (\$535,000) and contingencies (\$250,000) reached \$5,109,933.

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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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 37-60 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Clayton, assets exceeded liabilities by \$42,573,506 at the close of the most recent fiscal year. This is an decrease of \$ (231,079) or (1)% from the previous fiscal year.

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

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The following is the condensed Statement of Net Assets for the fiscal year ended June 30, 2010:

	Governmental Activities 2010	Governmental Activities 2009	Business- Type Activities 2010	Business- Type Activities 2009	Total 2010	Total 2009
Current Assets	\$ 19,051,668	\$ 19,153,509	\$ 158,535	\$ 2,906	\$ 19,210,203	\$ 19,156,415
Non-Current Assets	4,190,728	5,432,082	0	0	4,190,728	5,432,082
Capital Assets	27,879,151	28,228,027	1,263,280	1,299,348	29,142,431	29,527,375
Total Assets	\$ 51,121,547	\$ 52,813,618	\$ 1,421,815	\$ 1,302,254	\$ 52,543,362	\$ 54,115,872
Current Liabilities	\$ 1,740,705	\$ 988,659	\$ 5,575	\$ 41,679	\$ 1,746,280	\$ 1,030,338
Long-term Liabilities	8,223,576	10,280,949	0	0	8,223,576	10,280,949
Total Liabilities	\$ 9,964,281	\$ 11,269,608	\$ 5,575	\$ 41,679	\$ 9,969,856	\$ 11,311,287
Investment in Capital Assets, Net of Related Debt	\$ 19,239,151	\$ 17,543,027	\$ 1,431,018	\$ 1,299,348	\$ 20,670,169	\$ 18,842,375
Restricted	19,459,887	20,161,280	0	0	19,459,887	20,161,280
Unrestricted	2,458,228	3,839,703	(14,778)	(38,773)	2,443,450	3,800,930
Total Net Assets	\$ 41,157,266	\$ 41,544,010	\$ 1,416,240	\$ 1,260,575	\$ 42,573,506	\$ 42,804,585

A portion of the City of Clayton's net assets (46 percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* \$2,443,450 may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Assets

The City's net assets have decreased by \$(231,079) or (1)%, from the prior fiscal year. In fiscal year 2009-2010, City revenues, which include both governmental and business-type activities, totaled \$11,510,301 while expenses totaled \$11,710,558. Further analysis is provided within the governmental and business-type activity sections on the next page.

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City of Clayton's Statement of Activities and Changes in Net Assets for the fiscal year ended June 30, 2010:

	Governmental Activities 2010	Governmental Activities 2009	Business Type Activities 2010	Business Type Activities 2009	Total 2010	Total 2009
Revenues:						
Program revenues:						
Charges for services	\$ 528,847	\$ 473,113	\$ 102,799	\$ 25,529	\$ 631,646	\$ 498,642
Operating and Capital grants and contributions	129,746	121,203	167,738	0	297,484	121,203
Total program revenues	<u>658,593</u>	<u>594,316</u>	<u>270,537</u>	<u>25,529</u>	<u>929,130</u>	<u>619,845</u>
General revenues:						
Property taxes	6,856,430	7,304,719	0	0	6,856,430	7,304,719
Sales and other taxes	327,514	301,213	0	0	327,514	301,213
Special assessments	1,279,801	1,262,005	0	0	1,279,801	1,262,005
Other taxes	774,794	1,095,625	0	0	774,794	1,095,625
Investment income	490,207	653,769	(2,035)	(1,066)	488,172	652,703
Miscellaneous	847,460	440,076	0	0	847,460	440,076
Gain (loss) on sale of assets	7,000	6,600	0	0	7,000	6,600
Total general revenues	<u>10,583,206</u>	<u>11,064,007</u>	<u>(2,035)</u>	<u>(1,066)</u>	<u>10,581,171</u>	<u>11,062,941</u>
Total revenues	<u>11,241,799</u>	<u>11,658,323</u>	<u>268,502</u>	<u>24,463</u>	<u>11,510,301</u>	<u>11,682,786</u>
Expenses						
Legislative	59,942	51,574	0	0	59,942	51,574
Administrative	2,935,978	769,674	0	0	2,935,978	769,674
Community services and facilities	220,654	243,768	0	0	220,654	243,768
Community park	127,852	229,181	0	0	127,852	229,181
Economic development	459,392	237,288	0	0	459,392	237,288
General support	648,805	209,200	0	0	648,805	209,200
Police	1,864,978	1,790,980	0	0	1,864,978	1,790,980
Library	123,252	130,054	0	0	123,252	130,054
Engineering	101,973	95,309	0	0	101,973	95,309
Highway and streets	357,462	336,622	0	0	357,462	336,622
Landscape maintenance	822,353	655,545	0	0	822,353	655,545
Planning and development	3,283,844	2,050,184	0	0	3,283,844	2,050,184
Community gym	0	0	51,384	41,899	51,384	41,899
Endeavor hall	0	0	61,453	56,361	61,453	56,361
Total expenses	<u>11,006,485</u>	<u>6,799,379</u>	<u>112,837</u>	<u>98,260</u>	<u>11,119,322</u>	<u>6,897,639</u>
Increase in Net Assets before Transfers and Interest on						
Long-Term Debt	235,314	4,858,944	155,665	(73,797)	390,979	4,785,147
Interest on Long-Term Debt	(591,236)	(588,253)	0	0	(591,236)	(588,253)
Transfers in (out)	0	(5,024)	0	5,024	0	0
Change in Net Assets	<u>(355,922)</u>	<u>4,265,667</u>	<u>155,665</u>	<u>(68,773)</u>	<u>(200,257)</u>	<u>4,196,894</u>
Net Assets - Beginning, restated						
	41,513,188	37,278,343	1,260,575	1,329,348	38,607,691	33,896,967
Net Assets - Ending	<u>\$ 41,157,266</u>	<u>\$ 41,544,010</u>	<u>\$ 1,416,240</u>	<u>\$ 1,260,575</u>	<u>\$ 38,407,434</u>	<u>\$ 38,093,861</u>

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Governmental Activities

Governmental activities decreased the City's net assets by \$386,744 while Business Type activities increased the City's net assets by \$155,665 leaving a reduction in the City's total net assets of \$231,079. A comparison of the cost of services by function for the City's governmental activities is shown on the previous page, along with the revenues used to cover the net expenses of the governmental activities.

Total governmental expense activities were \$11,597,721 in fiscal year 2010 compared to \$7,387,632 in the prior year. The largest expenses were incurred for Administrative Support, Police, and Planning and Development. These three activities combined account for 65% of all general activity expenses. Administrative Support included increases in depreciation of \$40,824; a reclassification of deferred revenue in the Redevelopment Agency Low to Moderate Income Housing Fund of \$1,509,840 and a loss of Deferred Revenue from the prior year of \$615,640 due to the reclassification and recognition of revenue in 2010. Planning and Development activity were the next largest expense with an increase of \$1,233,660 over the prior years activity. Police Support costs increased by \$73,998 over the prior fiscal year primarily due to increased dispatch contract costs.

Total program revenues from governmental activities were \$658,593 in fiscal year 2010. 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. 80% 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 20% of the governmental program revenues came from grant funding. General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, motor vehicle in-lieu fees, investment earnings, special assessments, fines, franchise fees, use of money and property, service charges, and other revenues. Total general revenues from governmental activities were \$10,583,206, in fiscal year 2010 of which \$6,856,430 or 65% is related to property taxes.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Clayton's governmental funds reported combined ending fund balances of \$18,032,575. Approximately 31 percent of this total amount \$5,588,793 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. It is the City's policy to only expense these monies on necessary one-time capital expenditures so as not to incur on-going operational expenditures in future years. The remainder of fund balance is reserved to indicate what is not available for new spending because it has already been committed: 1) to pay debt service \$747,538; 2) to complete Capital Improvement Projects \$3,336,037; 3) to complete RDA Housing Requirement \$4,593,899; 4) Special Revenue Fund restrictions \$3,231,308; and 5) for advances receivable \$535,000. There is also a designation for contingencies of \$1,263,860, which is considered unreserved. The general fund is the chief operating fund of the City of Clayton. At the end of

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the current fiscal year, unreserved fund balance of the general fund was \$4,324,933 while total fund balance reached \$5,109,933. The fund balance of the City of Clayton's general fund increased by \$8,220 during the current fiscal year from surplus revenue over expenditures of \$3,777 and a roll over of prepaid expenses of \$4,443. Considering the volatility of the economy we are fortunate to have a positive impact on our fund balance. While this could not have been possible without additional cost reductions due to staff furloughs, it shows that our City has a good handle on budgeting expenditures that align with available revenues.

Proprietary Funds

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

Unrestricted net assets of the Major Enterprise Funds at the end of the year amounted to \$(14,778), and those for the Internal Service Fund amounted to \$284,606. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Clayton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final general fund budget totaled \$3,637,679. There was one budget amendment to the originally adopted budget. The increase was for encumbrances from 2008-09 approved for \$308,318 which funded contractual obligations and outstanding purchases in this fiscal year.

General fund revenues exceeded budget by \$152,354 (5%). Staff was conservative in budgeting revenues given the economic condition in the spring of 2009 thus included in this increased revenue was \$58,702 (27.4%) for sales and use tax, \$24,812 (183%) for real property transfer tax, \$9,391 (10.4%) for business license tax, \$3,354 (15.2%) for permits and fees, \$7,320 (33.3%) for police services, \$28,245 for interest earnings, and \$21,493 for other revenues.

General Fund expenditures were less than budget by \$6,039 (.17%) showing our ability to spend precious resources wisely in a difficult economy.

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For the fiscal year ended June 30, 2010

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, 2010, amounted to \$29,310,169 (net accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corp yard building, and roads.

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

- Construction was begun on a pavement overlay project on the 2-lane portion of Marsh Creek Road from Clayton Road to Diablo View Middle School projected to cost \$430,300.
- Construction on the Clayton Road Trail Connection and Downtown Signage project was in progress with costs totaling \$264,879. The landscape portion of the project had not been completed at year end due to water restrictions.
- Design on the Community Park Lighting, Resurfacing and Parking project was begun with a cost of \$26,614.
- Construction maintenance of 2" thick overlay on portions of Clayton Road (El Camino Dr. to Mitchell Canyon Road) and Oakhurst Drive (westerly City limits to Eagle Peak Avenue) was completed with costs totaling \$469,374.

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

Debt Administration

At the end of the current fiscal year, the City had \$8,060,000 in debt outstanding all held in the Redevelopment Agency. The City has no outstanding general obligation debt. The Redevelopment Agency maintains a "AAA" rating for Tax Allocation Bonds from Standard & Poor's. Additional information on the City's long-term debt obligations can be found in Note 6 of the notes to the financial statements.

ECONOMIC CLIMATE

The City's budgetary history during the past 10 years clearly demonstrates an ability to provide necessary services within a limited and sometimes restrictive revenue source. There is a continued decrease in the General Fund's actual expenditure plan to \$3,631,640 a figure slightly more than in the prior fiscal year 2004-05. Overall since 2000 expenditures have increased by 13.2% while during the same time period the consumer price index increased by 28.9%. At year end General Fund revenues (including transfers in) decreased by \$8,469 to \$3,790,996 compared to the prior fiscal year. By contrast General Fund revenues of \$3,826,391 in 2001 exceeded our current year revenues by \$35,395.

General Fund revenues including transfers at June 30, 2010 exceeded expenditures by \$3,777. Overall since 2001 General Fund revenues have exceeded expenditures by \$2,584,869, accounting for its ability to increase its fund balance reserves yet still provide necessary services during times of economic turmoil. The difficulty facing the City over the next few years will be dependent upon how much the State of California will continue to siphon local monies from the City coffers. The passage of Proposition 22 on the recent November ballot should have ensured that our City would no longer be subject to State raids, however recent remarks made by State officials indicate that a number of statewide organizations were angered that the ballot measure reached too far in its efforts to protect local government revenue, specifically pointing out the protections to redevelopment agency funds and thus may trigger an effort to rollback some of the Proposition 22 protections on the 2012 state

City of Clayton

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ballot. On a positive side, the City's unreserved equity \$4,324,933 is equal to 118.3% of its annual General Fund operations for Fiscal Year 2010-11. Folding in the untouchable \$250,000 designation, an additional \$535,000 for advances to the Redevelopment Agency for Fire Station land (\$475,000), and to the Development Impact Fund for a sewer study (\$60,000), brings the total reserve equity to a position of 154% of its annual General Fund operations for Fiscal Year 2010-11. This is 3.1 times greater than the expressed Policy Goal of the City Council.

REQUEST FOR INFORMATION

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

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FINANCIAL SECTION

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Clayton
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 16,758,918	\$ -	\$ 16,758,918
Cash and investments with fiscal agent	1,109,988	-	1,109,988
Accounts receivable (net of allowances)	292,171	100,678	392,849
Taxes receivable	2,280	-	2,280
Interest receivable	627,429	1	627,430
Internal balances	109,882	(109,882)	-
Investment in bonds	151,000	-	151,000
Total Current Assets	19,051,668	(9,203)	19,042,465
Noncurrent Assets:			
Notes receivable	4,190,728	-	4,190,728
Nondepreciable assets	1,856,163	167,738	2,023,901
Depreciable assets, net	26,022,988	1,263,280	27,286,268
TOTAL ASSETS	51,121,547	1,421,815	52,543,362
LIABILITIES			
Accounts payable	294,667	3,075	297,742
Other payables	13,040	-	13,040
Deposits payable	(584)	2,500	1,916
Interest payable	237,732	-	237,732
Note payable	592,412	-	592,412
Long-term debt due within one year	580,000	-	580,000
Long-term debt due in more than one year	8,060,000	-	8,060,000
Compensated absences payable	163,576	-	163,576
OPEB Liability	23,438	-	23,438
TOTAL LIABILITIES	9,964,281	5,575	9,969,856
NET ASSETS			
Invested in capital assets, net of related debt	19,239,151	1,431,018	20,670,169
Capital projects	3,336,037	-	3,336,037
Debt service	949,675	-	949,675
Low and moderate income housing	10,849,242	-	10,849,242
Special projects and programs	4,324,933	-	4,324,933
Unrestricted	2,458,228	(14,778)	2,443,450
TOTAL NET ASSETS	\$ 41,157,266	\$ 1,416,240	\$ 42,573,506

See accompanying Notes to Basic Financial Statements.

City of Clayton
Statement of Activities and Changes in Net Assets
For the fiscal year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities							
Legislative	\$ 59,942	\$ 3	\$ -	\$ -	\$ (59,939)	\$ -	\$ (59,939)
Administrative	2,935,978	47,006	-	-	(2,888,972)	-	(2,888,972)
Community services and facilities	220,654	153,866	-	-	(66,788)	-	(66,788)
Community park	127,852	-	-	-	(127,852)	-	(127,852)
Economic development	459,392	55,885	5,279	-	(398,228)	-	(398,228)
Planning and development	3,283,844	24,934	-	-	(3,258,910)	-	(3,258,910)
General support	648,805	188,383	-	-	(460,422)	-	(460,422)
Police	1,864,978	31,911	124,467	-	(1,708,600)	-	(1,708,600)
Library	123,252	1,432	-	-	(121,820)	-	(121,820)
Engineering	101,973	25,427	-	-	(76,546)	-	(76,546)
Highway and streets	357,462	-	-	-	(357,462)	-	(357,462)
Landscape maintenance	822,353	-	-	-	(822,353)	-	(822,353)
Interest and fiscal charges	591,236	-	-	-	(591,236)	-	(591,236)
Total governmental activities	11,597,721	528,847	129,746	-	(10,939,128)	-	(10,939,128)
Business-Type Activities							
Community gym	51,384	87,848	-	-	-	36,464	36,464
Endeavor Hall	61,453	14,951	-	167,738	-	121,236	121,236
Total Business-Type Activities	112,837	102,799	-	167,738	-	157,700	157,700
Total Primary Government	\$ 11,710,558	\$ 631,646	\$ 129,746	\$ 167,738	(10,939,128)	157,700	(10,781,428)
General revenues:							
Taxes:							
Property taxes					6,856,430	-	6,856,430
Sales taxes					327,514	-	327,514
Special assessments					1,279,801	-	1,279,801
Other taxes					774,794	-	774,794
Total Taxes					9,238,539	-	9,238,539
Investment income (loss)					490,207	(2,035)	488,172
Gain on sale of land held for resale					7,000	-	7,000
Miscellaneous					847,460	-	847,460
Total general revenues					10,583,206	(2,035)	10,581,171
Change in Net Assets					(355,922)	155,665	(200,257)
Net assets - beginning of year, As Restated (See Note 13)					41,513,188	1,260,575	42,773,763
Net assets - end of year					\$ 41,157,266	\$ 1,416,240	\$ 42,573,506

See accompanying Notes to Basic Financial Statements.

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GOVERNMENTAL FUNDS

General Fund

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

Clayton Redevelopment Agency Capital Projects

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

Clayton Redevelopment Agency Low/Moderate Income Housing

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

Capital Improvements Projects

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

Clayton Redevelopment Agency Debt Service

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

(Other Governmental Funds)

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

City of Clayton
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds		
	General Fund	RDA Capital Projects Fund	RDA Low/Moderate Capital Projects Fund
ASSETS			
Cash and investments	\$ 4,462,007	\$ 583,636	\$ 4,740,529
Cash and investments with fiscal agent	-	-	-
Accounts receivable	159,568	2,500	-
Taxes receivable	-	-	-
Interest receivable	35,017	-	592,412
Notes receivable	-	307,278	3,883,450
Investment in bonds	-	151,000	-
Due from other funds	112,881	-	-
Advance to other funds	535,000	-	-
TOTAL ASSETS	\$ 5,304,473	\$ 1,044,414	\$ 9,216,391
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 155,516	\$ 5,175	\$ 74
Other payables	36,478	-	-
Deposits payable	-	(584)	-
Deferred revenue	2,546	307,278	3,622,418
Notes Payable	-	592,412	-
Due to other funds	-	-	-
Advance from other funds	-	475,000	-
TOTAL LIABILITIES	194,540	1,379,281	3,622,492
FUND BALANCE			
Reserved for:			
Advances	535,000	-	-
Capital projects	-	(334,867)	-
Special projects	-	-	-
Debt service	-	-	-
Low and moderate income housing	-	-	4,593,899
Unreserved, designated for:			
Contingencies	250,000	-	1,000,000
Unreserved, undesignated reported in:			
General fund	4,324,933	-	-
TOTAL FUND BALANCE	5,109,933	(334,867)	5,593,899
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,304,473	\$ 1,044,414	\$ 9,216,391

See accompanying Notes to Basic Financial Statements.

Major Funds

Capital Improvements			
Fund	RDA Debt Service Fund	Other Governmental	Total
\$ 3,312,410	\$ 51,137	\$ 3,306,904	\$ 16,456,623
-	1,109,988	-	1,109,988
-	-	130,103	292,171
-	-	2,280	2,280
-	-	-	627,429
-	-	-	4,190,728
-	-	-	151,000
-	-	-	112,881
-	-	-	535,000
<u>\$ 3,312,410</u>	<u>\$ 1,161,125</u>	<u>\$ 3,439,287</u>	<u>\$ 23,478,100</u>
\$ 3,885	\$ -	\$ 112,328	\$ 276,978
-	-	-	36,478
-	-	-	(584)
-	-	70,000	4,002,242
-	-	-	592,412
-	-	2,999	2,999
-	-	60,000	535,000
<u>3,885</u>	<u>-</u>	<u>245,327</u>	<u>5,445,525</u>
-	-	-	535,000
3,308,525	-	362,379	3,336,037
-	1,161,125	2,070,183	3,231,308
-	-	747,538	747,538
-	-	-	4,593,899
-	-	13,860	1,263,860
-	-	-	4,324,933
<u>3,308,525</u>	<u>1,161,125</u>	<u>3,193,960</u>	<u>18,032,575</u>
<u>\$ 3,312,410</u>	<u>\$ 1,161,125</u>	<u>\$ 3,439,287</u>	<u>\$ 23,478,100</u>

City of Clayton
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds	\$ 18,032,575
Amounts reported for governmental activities in the Statement of Net Assets 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	1,856,163
Depreciable capital assets, net (net of internal service fund assets of \$336,748)	25,686,240
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	
	(237,732)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	
Long-term debt due within one year	(580,000)
Long-term liabilities - due in more than one year	(8,060,000)
Compensated absences payable	(163,576)
Revenues which are deferred on the Governmental Funds Balance Sheet because they are not available currently are taken into revenue in the Statement of Activities and accordingly increases the net assets on the Statement of Net Assets.	
	4,002,242
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 Assets.	
	<u>621,354</u>
Net Assets of Governmental Activities	<u>\$ 41,157,266</u>

See accompanying Notes to Basic Financial Statements.

City of Clayton

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the fiscal year ended June 30, 2010

	Major Funds		
	General Fund	RDA Capital Projects Fund	RDA Low/Moderate Capital Projects Fund
REVENUES			
Property taxes	\$ 1,678,930	\$ 4,130,048	\$ 1,032,512
Program income	-	-	69,752
Special assessments	-	-	-
Sales tax	272,702	-	-
Permits, licenses and fees	231,523	-	-
Fines, forfeitures and penalties	63,788	-	-
From other agencies	69,753	-	-
Motor vehicle in-lieu fees	32,234	-	-
Other in-lieu fees	137,504	-	-
Franchise fees	373,479	-	-
Service charges	65,849	-	-
Use of money and property	125,690	15,412	169,058
Other revenue	85,063	14,500	-
TOTAL REVENUES	3,136,515	4,159,960	1,271,322
EXPENDITURES			
General Government			
Legislative	59,942	-	-
Administrative	843,131	-	-
Community services and facilities	161,841	29,596	-
Community park	127,852	-	-
Economic development	-	-	-
Planning and development	256,430	2,844,409	439,435
General support	140,072	-	-
Police	1,817,147	-	-
Library	123,252	-	-
Engineering	101,973	-	-
Highway and streets	-	-	-
Landscape maintenance	-	-	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	30,875	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	3,631,640	2,904,880	439,435
REVENUES OVER (UNDER) EXPENDITURES	(495,125)	1,255,080	831,887
OTHER FINANCING SOURCES (USES)			
Transfers in	498,902	1,386,396	-
Transfers out	-	(3,582,016)	(125,000)
TOTAL OTHER FINANCING SOURCES (USES)	498,902	(2,195,620)	(125,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,777	(940,540)	706,887
FUND BALANCES:			
Beginning of fiscal year	5,106,156	605,673	4,887,012
End of fiscal year	\$ 5,109,933	\$ (334,867)	\$ 5,593,899

See accompanying Notes to Basic Financial Statements.

Major Funds

Capital Improvements			
Fund	RDA Debt Service Fund	Other Governmental	Total
\$ -	\$ -	\$ -	\$ 6,841,490
-	-	-	69,752
-	-	1,279,801	1,279,801
-	-	-	272,702
-	-	48,872	280,395
-	-	-	63,788
680,243	-	417,754	1,167,750
-	-	-	32,234
-	-	-	137,504
-	-	-	373,479
-	-	55,885	121,734
84,326	4,684	91,037	490,207
-	-	11,400	110,963
<u>764,569</u>	<u>4,684</u>	<u>1,904,749</u>	<u>11,241,799</u>
-	-	-	59,942
-	-	-	843,131
-	8,265	-	199,702
-	-	-	127,852
-	-	202,962	202,962
-	-	-	3,540,274
-	-	-	140,072
-	-	-	1,817,147
-	-	-	123,252
-	-	-	101,973
-	-	357,462	357,462
68,360	-	753,993	822,353
-	2,045,000	-	2,045,000
-	551,827	-	582,702
<u>732,327</u>	<u>-</u>	<u>33,925</u>	<u>766,252</u>
<u>800,687</u>	<u>2,605,092</u>	<u>1,348,342</u>	<u>11,730,076</u>
<u>(36,118)</u>	<u>(2,600,408)</u>	<u>556,407</u>	<u>(488,277)</u>
710,373	2,604,143	67,448	5,267,262
(1,442,953)	-	(117,293)	(5,267,262)
<u>(732,580)</u>	<u>2,604,143</u>	<u>(49,845)</u>	<u>-</u>
(768,698)	3,735	506,562	(488,277)
<u>4,077,223</u>	<u>1,157,390</u>	<u>2,687,398</u>	<u>18,520,852</u>
<u>\$ 3,308,525</u>	<u>\$ 1,161,125</u>	<u>\$ 3,193,960</u>	<u>\$ 18,032,575</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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (488,277)
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 expense of \$74,885).	(654,863)
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.	(1,509,840)
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 change in compensated absences.	(17,627)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
Long-term debt repayments:	2,045,000
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in the governmental funds. The following amount represents the change in accrued interest from prior year.	(8,534)
Disposal of capital assets and transfers, excluding internal service fund activity.	(14,007)
Capital asset acquisition, excluding internal service fund asset acquisitions.	271,526
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>20,700</u>
Change in Net Assets of Governmental Activities	\$ <u>(355,922)</u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUNDS

City of Clayton
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Community Gym	Endeavor Hall	Total	Governmental Activities Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 302,295
Receivables:				
Accounts	100,678	-	100,678	-
Interest	-	1	1	-
Noncurrent Assets:				
Land	-	167,738	167,738	-
Depreciable assets, net	-	1,263,280	1,263,280	336,748
TOTAL ASSETS	<u>100,678</u>	<u>1,431,019</u>	<u>1,531,697</u>	<u>639,043</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	3,075	3,075	17,689
Deposits payable	-	2,500	2,500	-
Due to other funds	105,854	4,028	109,882	-
TOTAL LIABILITIES	<u>105,854</u>	<u>9,603</u>	<u>115,457</u>	<u>17,689</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	1,431,018	1,431,018	336,748
Unrestricted	(5,176)	(9,602)	(14,778)	284,606
TOTAL NET ASSETS	<u>\$ (5,176)</u>	<u>\$ 1,421,416</u>	<u>\$ 1,416,240</u>	<u>\$ 621,354</u>

See accompanying Notes to Basic Financial Statements.

City of Clayton
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2010

	Community Gym	Endeavor Hall	Total	Governmental Activities Internal Service Funds
OPERATING REVENUES				
Charges for current services	\$ 87,848	\$ 14,951	\$ 102,799	\$ 15,636
TOTAL OPERATING REVENUES	<u>87,848</u>	<u>14,951</u>	<u>102,799</u>	<u>15,636</u>
OPERATING EXPENSES				
Personnel	50	13,815	13,865	-
General and administrative	51,334	11,570	62,904	84,760
Depreciation and amortization	-	36,068	36,068	47,166
TOTAL OPERATING EXPENSES	<u>51,384</u>	<u>61,453</u>	<u>112,837</u>	<u>131,926</u>
OPERATING INCOME (LOSS)	<u>36,464</u>	<u>(46,502)</u>	<u>(10,038)</u>	<u>(116,290)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	(2,052)	17	(2,035)	10,533
Capital contributions	-	167,738	167,738	83,553
Gain (Loss) on sale of asset	-	-	-	42,904
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,052)</u>	<u>167,755</u>	<u>165,703</u>	<u>136,990</u>
CHANGE IN NET ASSETS	<u>34,412</u>	<u>121,253</u>	<u>155,665</u>	<u>20,700</u>
NET ASSETS:				
Beginning of fiscal year	<u>(39,588)</u>	<u>1,300,163</u>	<u>1,260,575</u>	<u>600,654</u>
End of fiscal year	<u>\$ (5,176)</u>	<u>\$ 1,421,416</u>	<u>\$ 1,416,240</u>	<u>\$ 621,354</u>

See accompanying Notes to Basic Financial Statements.

City of Clayton

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2010

	Major Enterprise Funds			Governmental Activities Internal Service Funds
	Community Gym	Endeavor Hall	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 87,848	\$ 14,951	\$ 102,799	\$ 15,636
Cash payments to suppliers for goods and services	(85,796)	(7,062)	(92,858)	(69,086)
Cash payment to employees for services	-	(13,815)	(13,815)	-
Net cash provided (used) by operating activities	<u>2,052</u>	<u>(5,926)</u>	<u>(3,874)</u>	<u>(53,450)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Cash paid for capital acquisitions	-	-	-	(126,456)
Gain (Loss) on sale of asset	-	-	-	42,904
Capital contributions	-	-	-	83,553
Net cash provided (used) by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	(2,052)	30	(2,022)	11,380
Net cash provided (used) by investing activities	<u>(2,052)</u>	<u>30</u>	<u>(2,022)</u>	<u>11,380</u>
Net increase (decrease) in cash and cash equivalents	-	(5,896)	(5,896)	(42,069)
CASH AND CASH EQUIVALENTS:				
Fiscal year end June 30, 2009	-	5,896	5,896	344,364
Fiscal year end June 30, 2010	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 302,295</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 36,464	\$ (46,502)	\$ (10,038)	\$ (116,290)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	36,068	36,068	47,166
Changes in operating assets and liabilities:				
Accounts receivable	(74,918)	-	(74,918)	-
Accounts payable	(36,513)	2,160	(34,353)	15,674
Other payables	(71)	(1,680)	(1,751)	-
Due to other funds	77,090	4,028	81,118	-
Insurance claims payable	-	-	0	-
Total adjustments	<u>(34,412)</u>	<u>40,576</u>	<u>6,164</u>	<u>62,840</u>
Net cash provided (used) by operating activities	<u>\$ 2,052</u>	<u>\$ (5,926)</u>	<u>\$ (3,874)</u>	<u>\$ (53,450)</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUNDS

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

City of Clayton
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 2,130,951
Cash with fiscal agents	620,608
Investment in bonds	4,102,000
Other receivables	<u>508,092</u>
TOTAL ASSETS	<u><u>\$ 7,361,651</u></u>
LIABILITIES	
Accounts payable	525,878
Interest payable	37,582
Other payables	20,440
Other deposits	644,153
Due to bondholders	<u>6,133,598</u>
TOTAL LIABILITIES	<u><u>\$ 7,361,651</u></u>

See accompanying Notes to Basic Financial Statements.

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City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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

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

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

B. Basis of Accounting and Measurement Focus, Continued

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

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

Governmental Fund Financial Statements

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

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

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

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

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

The City has the following major funds:

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

The City has the following major enterprise funds:

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

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

The City has the following internal service funds:

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

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

Fiduciary Fund Financial Statements

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

C. Use of Restricted and Unrestricted Net Assets

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

D. Cash and Investments

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

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

The City reviews and refines its Investment Policy (Policy) annually, with the most recent revision in August 2010. The Policy states that the primary investment objective is safety with investments being legally permitted and sufficiently liquid to meet forecasted needs. Maximization of interest earnings is a secondary objective. Further, the Policy states that the City Treasurer has the ultimate responsibility to protect, preserve and maintain cash and investments. The Policy also established internal controls and reporting requirements. The Policy stipulates "Permitted Investments and Limitation on Investments."

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

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

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

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

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The City has acquired two parcels of land in Stranahan circle as part of its primary purpose to develop or redevelop City properties. The property is being carried at the lower of cost or net realizable value. The Agency has also purchased and re-sold various properties to low and moderate income households. The Agency carries the difference between the cost and the sale on these properties as an investment in low and moderate income housing until the property is either bought back by the Agency or sold on the open market. The City participates in the profits on any sales to an outside party in the same proportion as what the low and moderate income purchaser purchased the property from the Agency at below the market value.

F. Capital Assets

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

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

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

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

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

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

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.

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Long-Term Liabilities

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

H. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Net Assets / Fund Balances

Government-Wide Financial Statements

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets / Fund Balances, Continued

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

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

Fund Financial Statements

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditures.

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves.

J. Property Taxes

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

K. Use of Estimates

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

L. Interfund Balances/Internal Balances

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Implementation of New GASB Pronouncements

The City has implemented the following accounting standards during the fiscal year ended June 30, 2010:

- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans (OPEB) other than Pension Plans* - This Statement establishes uniform financial reporting standards for OPEB plans. The standards in this Statement apply for OPEB Trust Funds included in the financial reports of Plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension Plans* - This Statement establishes standards for the measurement, recognition, and display of OPEB expense/ expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

2. CASH AND INVESTMENTS

Statement of Net Assets:	
Cash and investments	\$ 16,758,918
Restricted cash and investments with fiscal agent	1,109,988
Investment in assessment bonds	151,000
Statement of Fiduciary Net Assets:	
Cash and investments	2,130,951
Cash with fiscal agents	620,608
Bonds held in refunding	<u>4,102,000</u>
Total	<u>\$ 24,873,465</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 1,000
Deposits with financial institutions	1,276,964
Investments	<u>23,595,501</u>
Total	<u>\$ 24,873,465</u>

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

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

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	More than 60 Months
State Investment Pool	\$ 5,031,500	\$ 5,031,500	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Funds	129,617	129,617	-	-	-	0	-
Investment in assessment bonds	151,000						151,000
Certificates of Deposit	12,450,788	2,219,289	3,979,425	3,435,816	2,411,050	405,208	-
Held by bond trustees:							
Money Market Funds	1,147,417	1,147,417	-	-	-	-	-
Surety Bond	458,152	-	-	-	-	-	458,152
Bonds held in refunding	4,227,027						4,227,027
	<u>\$ 23,595,501</u>	<u>\$ 8,527,823</u>	<u>\$ 3,979,425</u>	<u>\$ 3,435,816</u>	<u>\$ 2,411,050</u>	<u>\$ 405,208</u>	<u>\$ 4,836,179</u>

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

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	Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 5,059,490	N/A	\$ -	\$ -	\$ -	\$ -	\$ 5,059,490
Money Market Funds	129,617	N/A	-	-	-	-	129,617
Investment in assessment bonds	151,000		-	-	-	-	151,000
Certificates of Deposit	12,450,788	N/A	-	-	-	-	12,450,788
Held by bond trustees:							
Money Market Funds	1,147,417	N/A	-	-	-	-	1,147,417
Surety Bond	430,163	N/A	-	-	-	-	430,163
Bonds held in refunding	4,227,026	N/A	-	-	-	-	4,227,026
Total	\$ 23,595,501		\$ -	\$ 0	\$ 0	\$ 0	\$ 23,595,501

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, 2010

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. RECEIVABLE

Notes Receivables

As of June 30, 2010, notes receivable consisted of the following:

Description	Beginning Balance July 1, 2009	Additions	Deletions	Prior Period Adjustment	Ending Balance June 30, 2010
Professional Apartment Management, Inc.	\$ 2,990,400	\$ 200,000	\$ 61,400	\$ -	\$ 3,129,000
Eden Housing, Inc. (formerly Peace Grove)	567,000	-	-	-	567,000
Second Mortgage Program	187,450	-	-	-	187,450
Assessment District Loans	315,339	-	8,061	-	307,278
Total	\$ <u>4,060,189</u>	\$ <u>200,000</u>	\$ <u>69,461</u>	\$ <u>0</u>	\$ <u>4,190,728</u>

The Agency has provided assistance to special assessment districts within the City, to fund repairs and improvements. There are three districts which received loans from the Agency. As of June 30, 2010, the outstanding balance of the loans was **\$295,718**.

On September 21, 1999, the Agency made a loan to the Professional Apartment Management, Inc. ("PAM") in the amount of \$750,000, at a non-interest bearing rate, to construct and develop an affordable senior assisted living center on the site known as "Diamond Terrace." The note is secured by the Deed of Trust. The Agency loaned an additional \$1,286,000 on October 24, 2001. On December 1, 2003, PAM began drawing on a \$2,000,000 loan from the Agency in the amount of \$200,000 annually. The principal balance is payable commencing on October 1, 2005 through October 1, 2030. As of June 30, 2010, the outstanding balance of the loan was **\$3,129,000**.

On October 13, 1992, the Agency made a loan to the Peace Grove, Inc. in the amount of \$567,000, at a non-interest bearing rate, for the purchase of land for a redevelopment and housing project for low-income mental health system clients. The loan is secured by the Deed of Trust. The principal balance is payable on December 18, 2052. As of June 30, 2010, the outstanding balance of the loan was **\$567,000**.

The Agency participates in a second mortgage assistance program, whereby qualified applicants are loaned money for a "silent second" down payment to purchase a home in the Stranahan Development within the City. There are seven individual loans outstanding. As of June 30, 2010, the outstanding balance of the loans was **\$187,450**.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

4. INTERFUND TRANSACTIONS

A. Due To, Due From

At June 30, 2010, the City had the following short-term interfund receivables and payables:

DUE FROM	DUE TO			
	Governmental Activities	Business-Type		
	Non-major Governmental Funds	Community Gym	Endeavor Hall	Total
Governmental Activities:				
General Fund	\$ 2,999	\$ 105,854	\$ 4,028	\$ 112,881
Total	\$ 2,999	\$ 105,854	\$ 4,028	\$ 112,881

B. Interfund Transfers

At June 30, 2010, the City had the following transfers:

TRANSFERS OUT	TRANSFERS IN					
	General Fund	RDA Projects	Capital Improvement	RDA Debt Service	Non-major Governmental Funds	Total
RDA Capital Projects	\$ 275,000	\$ -	\$ 702,873	\$ 2,604,143	\$ -	\$ 3,582,016
RDA Low/Moderate	125,000	-	-	-	-	125,000
Capital Improvement	963	1,374,542	-	-	-	1,442,953
Non-major Governmental Funds	97,939	11,854	7,500	-	67,448	<u>117,293</u>
Total	\$ 498,902	\$ 1,386,396	\$ 710,373	\$ 2,604,143	\$ 67,448	\$ 5,267,262

The Redevelopment Agency transferred \$2,604,143 from the capital projects fund to the debt service fund for the current debt service payments.

The City transferred \$498,902 into the General Fund from the RDA Capital Projects fund (\$275,000), from Low/Moderate Income Capital Project Fund (\$125,000) Capital Investments (\$963), and Non-major Governmental Funds \$97,939 to reimburse the City for administrative expenses. In addition, the Agency transferred (\$702,873) to the City Capital Improvement Fund for various capital projects.

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

4. INTERFUND TRANSACTIONS, Continued

C. Advance to other funds

On June 17, 1999 the Agency purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the Agency issued a note in the amount of \$475,000 to the City. The principal amount is payable on or before January 1, 2023. As of June 30, 2010 the outstanding balance of the note was \$475,000.

On September 30, 2004 the City transferred \$35,000 into the Development Impact Fees Fund to provide funding necessary to retain a consultant to prepare a sewer master plan for the potential annexation that is currently being processed by the City. It is the City's intent to recover the sewer master plan fees upon annexation. Additional funding by the City in the amount of \$25,000 was advanced to the Development Impact Fees Fund on May 17, 2005. As of June 30, 2010, the outstanding balance of the advance was \$60,000.

D. Note payable

On May 10, 2010, the Redevelopment Agency received a loan from the Low to Moderate Income Housing Fund in the amount of \$592,412 to partially cover a demand from the California Department of Finance for property tax revenues to K-12 schools during the 2009-10 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan is to be repaid without interest by June 30, 2015.

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2010, the City's capital assets consisted of the following:

	Governmental Activities	Business - Type Activities	Total
<i>Non depreciable Assets:</i>			
Land	\$ 1,046,366	\$ 167,738	\$ 1,214,104
Construction in progress	809,797	-	809,797
Total non depreciable assets	<u>1,856,163</u>	<u>167,738</u>	<u>2,023,901</u>
<i>Depreciable Assets:</i>			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	4,295,841	151,004	4,446,845
Machinery and equipment	1,010,687	5,024	1,015,711
Infrastructure	27,120,016	-	27,120,016
Total depreciable assets	<u>38,322,120</u>	<u>1,556,772</u>	<u>39,878,892</u>
Total accumulated depreciation	<u>(12,299,132)</u>	<u>(293,492)</u>	<u>(12,592,624)</u>
Depreciable assets, net	<u>26,022,988</u>	<u>1,263,280</u>	<u>27,286,268</u>
Total governmental activities capital assets, net	<u><u>\$ 27,879,151</u></u>	<u><u>\$ 1,431,018</u></u>	<u><u>\$ 29,310,169</u></u>

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2009	Additions	Deletions	Transfers and Adjustments	Balance June 30, 2010
<i>Non depreciable Assets:</i>					
Land	\$ 1,046,366	\$ -	\$ -	\$ -	\$ 1,046,366
Construction in progress	538,271	271,526	-	-	809,797
Total non depreciable assets	<u>1,584,637</u>	<u>271,526</u>	<u>0</u>	<u>0</u>	<u>1,856,163</u>
<i>Depreciable Assets:</i>					
Buildings	5,744,572	151,004	-	-	5,895,576
Improvements	4,446,845	(151,004)	-	-	4,295,841
Machinery and equipment	915,053	83,553	(25,800)	37,881	1,010,687
Infrastructure	27,120,016	-	-	-	27,120,016
Total depreciable assets	<u>38,226,486</u>	<u>83,553</u>	<u>(25,800)</u>	<u>37,881</u>	<u>38,322,120</u>
<i>Accumulated depreciation:</i>					
Buildings	(1,600,996)	(106,033)	-	(298,809)	(2,005,838)
Improvements	(1,033,949)	(122,435)	-	285,034	(871,350)
Machinery and Equipment	(626,773)	(74,885)	35,962	(8,243)	(673,939)
Infrastructure	(8,321,378)	(426,395)	-	(232)	(8,748,005)
Total accumulated depreciation	<u>(11,583,096)</u>	<u>(729,748)</u>	<u>35,962</u>	<u>(22,250)</u>	<u>(12,299,132)</u>
Depreciable assets, net	<u>26,643,390</u>	<u>(646,195)</u>	<u>10,162</u>	<u>15,631</u>	<u>26,022,988</u>
Total governmental activities capital assets, net	<u>\$ 28,228,027</u>	<u>\$ (374,669)</u>	<u>\$ 10,162</u>	<u>\$ 15,631</u>	<u>\$ 27,879,151</u>

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

Public Works and Facilities	\$ 24,885
General support	573,660
Police	56,318
Internal service	74,885
Total depreciation expense - governmental activities	<u>\$ 729,748</u>

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<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>0</u>	<u>-</u>	<u>1,556,772</u>
Accumulated Depreciation	<u>(257,424)</u>	<u>(36,068)</u>	<u>-</u>	<u>(293,492)</u>
Depreciable assets, net	<u>1,299,348</u>	<u>(36,068)</u>	<u>-</u>	<u>1,263,280</u>
Total business-type activities capital assets, net	<u>\$ 1,299,348</u>	<u>\$ 131,670</u>	<u>\$ -</u>	<u>\$ 1,431,018</u>

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Business-type activities depreciation expense for capital assets for the year ended June 30, 2010 were as follows:

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

B Fund Financial Statements

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

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

6. LONG-TERM DEBT

The following is a summary of long-term debt transactions during the fiscal year ended June 30, 2010:

Description	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More Than One Year
<i>Governmental Activities:</i>						
1996 Refund Tax Allocation Bonds	\$ 5,010,000	\$ -	\$ (1,800,000)	\$ 3,210,000	\$ 325,000	\$ 2,885,000
1999 Tax Allocation Bonds	<u>5,675,000</u>	<u>-</u>	<u>(245,000)</u>	<u>5,430,000</u>	<u>255,000</u>	<u>5,175,000</u>
Total governmental activities	<u><u>\$ 10,685,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,045,000)</u></u>	<u><u>\$ 8,640,000</u></u>	<u><u>\$ 580,000</u></u>	<u><u>\$ 8,060,000</u></u>

1996 Series A Refunding Tax Allocation Bonds

1996 Series A Refunding Tax Allocation Bonds in the principal amount of \$7,225,000 were issued on November 16, 1996 by the Agency. Principal payments are payable on August 1 of each year. Interest payments are payable semi-annually on February 1 and August 1. Bonds maturing after August 1, 2009 are subject to call on any interest payment date at par, plus a premium 1 % to 2% of the principal amount. The bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

6. LONG-TERM DEBT, Continued

The annual debt service requirements to amortize the 1996 Refunding Tax Allocation Bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 325,000	\$ 164,733	\$ 489,733
2012	340,000	147,025	487,025
2013	90,000	135,410	225,410
2014	100,000	130,090	230,090
2015	100,000	124,490	224,490
2016-2020	1,705,000	505,540	2,210,540
2021	550,000	14,781	564,781
Total	\$ 3,210,000	\$ 1,222,069	\$ 4,432,069

1999 Tax Allocation Bonds

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

The annual debt service requirements to amortize the 1999 Tax Allocation Bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	255,000	260,878	515,878
2012	270,000	248,930	518,930
2013	280,000	236,140	516,140
2014	295,000	222,553	517,553
2015-2018	1,690,000	877,869	2,567,869
2019-2023	2,145,000	401,875	2,546,875
2024-2025	495,000	12,375	507,375
Total	\$ 5,430,000	\$ 2,260,620	\$ 7,690,620

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, 2010:

	Beginning Balance July 1, 2009	Additions	Ending Balance June 30, 2010
Compensated Absences	\$ 145,949	\$ 17,627	\$ 163,576

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

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, 2010 the outstanding balance of the non-city bond obligation was **\$4,461,000**.

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

Clayton Station Community Facilities District Bonds in the principal amount of \$1,269,000 million were issued on September 2, 2000 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by facility district revenue. As of June 30, 2010 the outstanding balance of the non-city bond obligation was **\$626,000**.

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, 2010 the outstanding balance of the non-city bond obligation was **\$198,325**.

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

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to assist the City of Clayton to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the Community School Local Obligations. As of June 30, 2010, the outstanding balance of the non-city bond obligation was **\$4,500,000**.

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

8. OTHER FUND DISCLOSURES

A. Expenditures over Appropriations

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

	Amount in excess of appropriation
	\$
<i>RDA Capital Projects</i>	1,958,579
<i>RDA Low/Moderate</i>	9,212
<i>Oakhurst Geological Hazard Abatement District</i>	7,008
<i>Measure J</i>	483
<i>Grants</i>	43,450
<i>Gas Tax</i>	42,917
<i>Downtown Park CFD</i>	7,197

B. Deficit Fund Balances

At June 30, 2010, the funds below had the following deficit fund balance or net assets:

	Amount
	\$
<i>RDA Capital Projects</i>	334,867
Non-major	5,619
Total Governmental Funds	<u>350,486</u>
Community Gym	\$ 5,176
Total Proprietary Funds	<u>\$ 5,176</u>

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

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 **\$133,430** for fiscal year 2009-2010 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, 2010.

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, 2010, the MPA's audited condensed financial information showed:

Total assets	\$ 64,231,424
Total liabilities	\$ 40,541,921
Total equities	\$ 23,689,503
Total revenues	\$ 23,805,601
Total expenses	\$ 19,278,052
Revenues over expenses	\$ 4,527,549

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

Funding Policy - Active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$142,325 for the fiscal year ended June 30, 2010.

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 2009-10 was 14.23% for miscellaneous employees and 33.283% for safety employees.

The City's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$550,323 , \$580,505 and \$533,884, respectively and equal 100% of the required contributions for each fiscal year, and also included the contributions that the City made on behalf of the employees.

11. POST EMPLOYMENT HEALTH CARE BENEFITS

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

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

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to pre fund benefits as determined annually by the City Council. For Fiscal Year 2010, the City contributed retiree premiums of \$27,229 and there was no additional pre funding contribution. Retired employees receiving benefits contributed \$27,828 (approximately 8% of the total premiums) through required monthly contributions that average \$2,319 per month.

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

11. POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

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

Annual required contribution (ARC)	\$	50,667
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost		<u>50,667</u>
Contributions made		(27,229)
Increase (decrease) in net OPEB obligation		23,438
Net OPEB obligation (asset) at beginning of year		-
Net OPEB obligation (asset) at end of year	\$	23,438

The City contributed 54% of the annual OPEB cost of \$27,229 resulting in a net OPEB obligation of \$23,438. The fiscal year ended June 30, 2010 was the first year for which an actuarially determined ARC of \$50,667 has been calculated for the City of Clayton Retired Employees Health Care Program.

Funded Status and Funding Progress- The City's actuarial Accrued Liability (AAL) and unfunded Actuarial Accrued Liability (UAAL) is \$400,257 which is 22% of covered payroll. There are no plan assets and as of June 30, 2010 the plan has a 0% funded ratio.

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

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

In the June 30, 2009 actuarial valuation, the Entry age normal method was used. The actuarial assumptions included a 4.0% investment rate of return, and an annual healthcare cost increase rate of 10% initially, reduced ultimately to 5% by 2020. The UAAL is being amortized using the level dollar method. The remaining amortization period at June 30, 2009 was 29 years.

12. CONTINGENCIES

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

City of Clayton

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2010

13. PRIOR PERIOD ADJUSTMENTS

Because the prior period adjustment was made to an internal service fund, the proprietary fund financial statements and, unintuitively, the governmental activities on the government-wide statements. The governmental activities are affected by this change because the activities of the internal service funds are closed into the governmental activities for the government-wide presentation.

A. Government-Wide Statements

During the fiscal year 2010, the City made adjustments to account for 2008-09 fund balance not including all the capital asset activity record in that year. This resulted in the following adjustments.

	Net Assets as Previously Reported	Accounting Adjustments Overstatement of Capital Assets	Net Assets as Restated
<i>Governmental Activities:</i>			
Net assets	\$ 41,544,010	\$ (30,822)	\$ 41,513,188
Total Governmental activities	<u>\$ 41,544,010</u>	<u>\$ (30,822)</u>	<u>\$ 41,513,188</u>

The prior period adjustment for the Governmental activities (government wide basis) is \$(30,822) because a portion of the changes were implemented on the government wide basis when creating the conversion entries in the prior year.

B. Fund Financial Statements

During the fiscal year 2010, the Agency made an accounting adjustment to account for 2008-09 fund balance not including all the capital asset activity record in that year. The prior year's financial statements show a inconsistency between the capital asset note and the Capital Replacement Funds' capital assets. This resulted in the following adjustments.

	Net Assets as Previously Reported	Accounting Adjustments Overstatement of Capital Assets	Net Assets as Restated
<i>Proprietary Funds:</i>			
Capital Replacement Fund	\$ 666,384	\$ (65,730)	\$ 600,654
Total Proprietary Funds	<u>\$ 666,384</u>	<u>\$ (65,730)</u>	<u>\$ 600,654</u>

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City of Clayton
Required Supplementary Information
June 30, 2010

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, 2010

	Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,650,934	\$ 1,650,934	\$ 1,678,930	\$ 27,996
Sales tax	214,000	214,000	272,702	58,702
Permits, licenses and fees	231,782	231,782	231,523	(259)
Fines, forfeitures and penalties	62,500	62,500	63,788	1,288
From other agencies	66,225	66,225	69,753	3,528
Motor vehicle in-lieu fees	35,000	35,000	32,234	(2,766)
Other in-lieu fees	137,504	137,504	137,504	-
Franchise fees	372,961	372,961	373,479	518
Service charges	58,358	58,358	65,849	7,491
Use of money and property	75,002	75,002	125,690	50,688
Other revenue	79,895	79,895	85,063	5,168
TOTAL REVENUES	2,984,161	2,984,161	3,136,515	152,354
EXPENDITURES				
Legislative	59,705	59,705	59,942	(237)
Administrative	814,072	814,072	843,131	(29,059)
Community services and facilities	142,495	142,495	161,841	(19,346)
Community park	170,889	170,889	127,852	43,037
Planning and development	254,488	254,488	256,430	(1,942)
General support	164,603	164,603	140,072	24,531
Police	1,800,991	1,800,991	1,817,147	(16,156)
Library	133,678	133,678	123,252	10,426
Engineering	96,758	96,758	101,973	(5,215)
TOTAL EXPENDITURES	3,637,679	3,637,679	3,631,640	6,039
REVENUES OVER (UNDER) EXPENDITURES	(653,518)	(653,518)	(495,125)	158,393
OTHER FINANCING SOURCES (USES)				
Transfers in	653,518	653,518	498,902	(154,616)
TOTAL OTHER FINANCING SOURCES (USES)	653,518	653,518	498,902	(154,616)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	3,777	\$ 3,777
FUND BALANCES:				
Beginning of fiscal year			5,106,156	
End of fiscal year			\$ 5,109,933	

SUPPLEMENTAL INFORMATION

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MAJOR FUNDS

City of Clayton
Budgetary Comparison Schedule
RDA Capital Projects Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 4,144,938	\$ 4,130,048	\$ (14,890)
Use of money and property	5,000	15,412	10,412
Other revenue	-	14,500	14,500
TOTAL REVENUES	<u>4,149,938</u>	<u>4,159,960</u>	<u>10,022</u>
EXPENDITURES			
Community services and facilities	-	29,596	(29,596)
Planning and development	900,426	2,844,409	(1,943,983)
Interest and fiscal charges	30,875	30,875	-
Capital outlay	15,000	-	15,000
TOTAL EXPENDITURES	<u>946,301</u>	<u>2,904,880</u>	<u>(1,958,579)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,203,637</u>	<u>1,255,080</u>	<u>(1,948,557)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,386,396	1,386,396
Transfers out	(3,694,830)	(3,582,016)	112,814
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,694,830)</u>	<u>(2,195,620)</u>	<u>1,499,210</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (491,193)</u>	<u>(940,540)</u>	<u>\$ (449,347)</u>
FUND BALANCES:			
Beginning of year		<u>605,673</u>	
End of year		<u>\$ (334,867)</u>	

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

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,036,234	\$ 1,032,512	\$ (3,722)
Program income	61,400	69,752	8,352
Use of money and property	<u>50,000</u>	<u>169,058</u>	<u>119,058</u>
TOTAL REVENUES	<u>1,147,634</u>	<u>1,271,322</u>	<u>123,688</u>
EXPENDITURES			
Planning and development	230,223	439,435	(209,212)
Capital outlay	<u>200,000</u>	<u>-</u>	<u>200,000</u>
TOTAL EXPENDITURES	<u>430,223</u>	<u>439,435</u>	<u>(9,212)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>717,411</u>	<u>831,887</u>	<u>114,476</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 592,411</u>	<u>706,887</u>	<u>\$ 114,476</u>
FUND BALANCES:			
Beginning of year		<u>4,887,012</u>	
End of year		<u>\$ 5,593,899</u>	

City of Clayton
Budgetary Comparison Schedule
Capital Improvements Fund

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES			
From other agencies	\$ 1,046,000	\$ 680,243	\$ (365,757)
Use of money and property	<u>-</u>	<u>84,326</u>	<u>84,326</u>
TOTAL REVENUES	<u>1,046,000</u>	<u>764,569</u>	<u>(281,431)</u>
EXPENDITURES			
Landscape maintenance	-	68,360	(68,360)
Capital outlay	<u>2,301,187</u>	<u>732,327</u>	<u>1,568,860</u>
TOTAL EXPENDITURES	<u>2,301,187</u>	<u>800,687</u>	<u>1,500,500</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,255,187)</u>	<u>(36,118)</u>	<u>1,219,069</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,255,187	710,373	(544,814)
Transfers out	<u>-</u>	<u>(1,442,953)</u>	<u>(1,442,953)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,255,187</u>	<u>(732,580)</u>	<u>(1,987,767)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>(768,698)</u>	<u>\$ (768,698)</u>
FUND BALANCES:			
Beginning of year		<u>4,077,223</u>	
End of year		<u>\$ 3,308,525</u>	

City of Clayton
Budgetary Comparison Schedule
RDA Debt Service Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Use of money and property	\$ 1,000	\$ 4,684	\$ 3,684
TOTAL REVENUES	<u>1,000</u>	<u>4,684</u>	<u>3,684</u>
EXPENDITURES			
Community services and facilities	8,265	8,265	-
Principal	2,060,000	2,045,000	15,000
Interest and fiscal charges	536,878	551,827	(14,949)
TOTAL EXPENDITURES	<u>2,605,143</u>	<u>2,605,092</u>	<u>51</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,604,143)</u>	<u>(2,600,408)</u>	<u>3,735</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,604,143	2,604,143	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,604,143</u>	<u>2,604,143</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>3,735</u>	<u>\$ 3,735</u>
FUND BALANCES:			
Beginning of year		<u>1,157,390</u>	
End of year		<u>\$ 1,161,125</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

Non-Major Capital Projects Fund:

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

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

Non-Major Debt Service Fund:

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

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

City of Clayton
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue					
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement	Oakhurst Geological Hazard Abatement District	Measure J
ASSETS						
Cash and investments	\$ 142,247	\$ -	\$ 129,216	\$ 223,058	\$ -	\$ 308,649
Accounts receivable	-	-	9,819	-	-	-
Taxes receivable	-	-	-	-	-	-
TOTAL ASSETS	\$ 142,247	\$ -	\$ 139,035	\$ 223,058	\$ -	\$ 308,649
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ 8,373	\$ -	\$ 12,204	\$ -	\$ 2,620	\$ -
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	2,582	-	-	417	-
Advance from other funds	-	-	-	-	-	-
TOTAL LIABILITIES	8,373	2,582	12,204	-	3,037	-
FUND BALANCE						
Reserved for:						
Capital projects	-	-	-	-	-	-
Special projects	133,874	(2,582)	126,831	223,058	(3,037)	308,649
Contingencies	-	-	-	-	-	-
TOTAL FUND BALANCE	133,874	(2,582)	126,831	223,058	(3,037)	308,649
TOTAL LIABILITIES AND FUND BALANCE	\$ 142,247	\$ -	\$ 139,035	\$ 223,058	\$ -	\$ 308,649

Special Revenue				Capital Projects	Debt Service		
Grants	Gas Tax	Downtown Park CFD	Clayton Landscape Maintenance	Clayton Development Impact Fees	Clayton Financing Authority	Total	
\$ 255,498	\$ 194,292	\$ 190,607	\$ 693,420	\$ 422,379	\$ 747,538	\$ 3,306,904	
22,832	27,452	70,000	-	-	-	130,103	
-	2,280	-	-	-	-	2,280	
<u>\$ 278,330</u>	<u>\$ 224,024</u>	<u>\$ 260,607</u>	<u>\$ 693,420</u>	<u>\$ 422,379</u>	<u>\$ 747,538</u>	<u>\$ 3,439,287</u>	
\$ 1,946	\$ 6,976	\$ 3,953	\$ 76,256	\$ -	\$ -	\$ 112,328	
-	-	70,000	-	-	-	70,000	
-	-	-	-	-	-	2,999	
-	-	-	-	60,000	-	60,000	
<u>1,946</u>	<u>6,976</u>	<u>73,953</u>	<u>76,256</u>	<u>60,000</u>	<u>-</u>	<u>245,327</u>	
107,008	-	-	-	103,682	-	210,690	
155,516	217,048	186,654	617,164	258,697	747,538	2,969,410	
13,860	-	-	-	-	-	13,860	
<u>276,384</u>	<u>217,048</u>	<u>186,654</u>	<u>617,164</u>	<u>362,379</u>	<u>747,538</u>	<u>3,193,960</u>	
<u>\$ 278,330</u>	<u>\$ 224,024</u>	<u>\$ 260,607</u>	<u>\$ 693,420</u>	<u>\$ 422,379</u>	<u>\$ 747,538</u>	<u>\$ 3,439,287</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, 2010

	Special Revenue					
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement	Oakhurst Geological Hazard Abatement District	Measure J
REVENUES						
Special assessments	\$ 125,459	\$ -	\$ 91,143	\$ -	\$ 32,497	\$ -
Permits, licenses and fees	-	-	47,963	-	-	-
From other agencies	-	-	-	-	-	5,266
Service charges	-	-	-	-	-	-
Use of money and property	4,545	(37)	3,541	7,217	26	6,938
Other revenue	-	-	-	-	-	-
TOTAL REVENUES	130,004	(37)	142,647	7,217	32,523	12,204
EXPENDITURES						
General Government						
Economic development	-	-	-	-	21,122	-
Highway and streets	116,556	-	94,316	-	-	483
Landscape maintenance	-	-	-	-	-	-
Capital outlay	-	-	12,378	-	3,716	-
TOTAL EXPENDITURES	116,556	-	106,694	-	24,838	483
REVENUES OVER (UNDER) EXPENDITURES	13,448	(37)	35,953	7,217	7,685	11,721
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	33,724
Transfers out	(10,000)	-	(31,605)	-	(18,677)	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	-	(31,605)	-	(18,677)	29,724
NET CHANGE IN FUND BALANCES	3,448	(37)	4,348	7,217	(10,992)	41,445
FUND BALANCES						
Beginning of year	130,426	(2,545)	122,483	215,841	7,955	267,204
End of year	\$ 133,874	\$ (2,582)	\$ 126,831	\$ 223,058	\$ (3,037)	\$ 308,649

Special Revenue				Capital Projects	Debt Service	
Grants	Gas Tax	Downtown Park CFD	Clayton Landscape Maintenance	Clayton Development Impact Fees	Clayton Financing Authority	Total Other Governmental Funds
\$ -	\$ 26,272	\$ 107,136	\$ 897,294	\$ -	\$ -	\$ 1,279,801
-	-	909	-	-	-	48,872
129,746	282,742	-	-	-	-	417,754
-	-	-	-	55,885	-	55,885
2,949	3,186	5,824	20,201	12,499	24,148	91,037
-	-	10,000	1,400	-	-	11,400
132,695	312,200	123,869	918,895	68,384	24,148	1,904,749
181,840	-	-	-	-	-	202,962
-	146,107	-	-	-	-	357,462
-	-	95,503	658,490	-	-	753,993
2,220	49,334	-	-	(33,723)	-	33,925
184,060	195,441	95,503	658,490	(33,723)	-	1,348,342
(51,365)	116,759	28,366	260,405	102,107	24,148	556,407
-	-	-	-	33,724	-	67,448
-	(14,187)	-	(26,970)	(11,854)	-	(117,293)
-	(14,187)	-	(26,970)	21,870	-	(49,845)
(51,365)	102,572	28,366	233,435	123,977	24,148	506,562
327,749	114,476	158,288	383,729	238,402	723,390	2,687,398
\$ 276,384	\$ 217,048	\$ 186,654	\$ 617,164	\$ 362,379	\$ 747,538	\$ 3,193,960

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

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 894,396	\$ 897,294	\$ 2,898
Use of money and property	3,000	20,201	17,201
Other revenue	-	1,400	1,400
TOTAL REVENUES	<u>897,396</u>	<u>918,895</u>	<u>21,499</u>
EXPENDITURES			
Current:			
Landscape maintenance	711,095	658,490	52,605
TOTAL EXPENDITURES	<u>711,095</u>	<u>658,490</u>	<u>52,605</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>186,301</u>	<u>260,405</u>	<u>74,104</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(26,970)	(26,970)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,970)</u>	<u>(26,970)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 159,331</u>	233,435	<u>\$ 74,104</u>
FUND BALANCES:			
Beginning of year		<u>383,729</u>	
End of year		<u>\$ 617,164</u>	

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

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 105,802	\$ 107,136	\$ 1,334
Permits, licenses and fees	500	909	409
Use of money and property	1,000	5,824	4,824
Other revenue	10,000	10,000	-
TOTAL REVENUES	<u>117,302</u>	<u>123,869</u>	<u>6,567</u>
EXPENDITURES			
Current:			
Landscape maintenance	88,306	95,503	(7,197)
TOTAL EXPENDITURES	<u>88,306</u>	<u>95,503</u>	<u>(7,197)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 28,996</u>	28,366	<u>\$ (630)</u>
FUND BALANCES:			
Beginning of year		<u>158,288</u>	
End of year		<u>\$ 186,654</u>	

City of Clayton
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 28,154	\$ 26,272	\$ (1,882)
From other agencies	245,098	282,742	37,644
Use of money and property	800	3,186	2,386
TOTAL REVENUES	274,052	312,200	38,148
EXPENDITURES			
Current:			
Highway and streets	152,524	146,107	6,417
Capital outlay	-	49,334	(49,334)
TOTAL EXPENDITURES	152,524	195,441	(42,917)
REVENUES OVER (UNDER) EXPENDITURES	121,528	116,759	(4,769)
OTHER FINANCING SOURCES (USES)			
Transfers out	(222,187)	(14,187)	208,000
TOTAL OTHER FINANCING SOURCES (USES)	(222,187)	(14,187)	208,000
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (100,659)	102,572	\$ 203,231
FUND BALANCES:			
Beginning of year		114,476	
End of year		\$ 217,048	

City of Clayton
Budgetary Comparison Schedule
Grants Special Revenue Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 121,000	\$ 129,746	\$ 8,746
Use of money and property	5,000	2,949	(2,051)
TOTAL REVENUES	<u>126,000</u>	<u>132,695</u>	<u>6,695</u>
EXPENDITURES			
Current:			
Economic development	140,610	181,840	(41,230)
Capital outlay	-	2,220	(2,220)
TOTAL EXPENDITURES	<u>140,610</u>	<u>184,060</u>	<u>(43,450)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (14,610)</u>	(51,365)	<u>\$ (36,755)</u>
FUND BALANCES:			
Beginning of year		<u>327,749</u>	
End of year		<u>\$ 276,384</u>	

City of Clayton
Budgetary Comparison Schedule
Measure J Special Revenue Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 190,000	\$ 5,266	\$ (184,734)
Use of money and property	1,000	6,938	5,938
TOTAL REVENUES	<u>191,000</u>	<u>12,204</u>	<u>(178,796)</u>
EXPENDITURES			
Highway and streets	-	483	(483)
TOTAL EXPENDITURES	<u>-</u>	<u>483</u>	<u>(483)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>191,000</u>	<u>11,721</u>	<u>(179,279)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	33,724	33,724
Transfers out	(198,000)	(4,000)	194,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(198,000)</u>	<u>29,724</u>	<u>227,724</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (7,000)</u>	41,445	<u>\$ 48,445</u>
FUND BALANCES:			
Beginning of year		<u>267,204</u>	
End of year		<u>\$ 308,649</u>	

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

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 32,232	\$ 32,497	\$ 265
Use of money and property	-	26	26
TOTAL REVENUES	<u>32,232</u>	<u>32,523</u>	<u>291</u>
EXPENDITURES			
Current:			
Economic development	13,830	21,122	(7,292)
Capital outlay	4,000	3,716	284
TOTAL EXPENDITURES	<u>17,830</u>	<u>24,838</u>	<u>(7,008)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>14,402</u>	<u>7,685</u>	<u>(6,717)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(18,677)	(18,677)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,677)</u>	<u>(18,677)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (4,275)</u>	<u>(10,992)</u>	<u>\$ (6,717)</u>
FUND BALANCES:			
Beginning of year		<u>7,955</u>	
End of year		<u>\$ (3,037)</u>	

City of Clayton
Budgetary Comparison Schedule
Stormwater Assessment Special Revenue Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 71,238	\$ 91,143	\$ 19,905
Permits, licenses and fees	42,300	47,963	5,663
Use of money and property	1,000	3,541	2,541
TOTAL REVENUES	<u>114,538</u>	<u>142,647</u>	<u>28,109</u>
EXPENDITURES			
Current:			
Highway and streets	135,217	94,316	40,901
Capital outlay	1,550	12,378	(10,828)
TOTAL EXPENDITURES	<u>136,767</u>	<u>106,694</u>	<u>30,073</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(22,229)</u>	<u>35,953</u>	<u>58,182</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(31,605)	(31,605)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,605)</u>	<u>(31,605)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (53,834)</u>	<u>4,348</u>	<u>\$ 58,182</u>
FUND BALANCES:			
Beginning of year		<u>122,483</u>	
End of year		<u>\$ 126,831</u>	

City of Clayton
Budgetary Comparison Schedule
Street Lighting Special Revenue Fund

	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 125,459	\$ 125,459	\$ -
Use of money and property	2,500	4,545	2,045
TOTAL REVENUES	<u>127,959</u>	<u>130,004</u>	<u>2,045</u>
EXPENDITURES			
Current:			
Highway and streets	131,246	116,556	14,690
TOTAL EXPENDITURES	<u>131,246</u>	<u>116,556</u>	<u>14,690</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,287)</u>	<u>13,448</u>	<u>16,735</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (13,287)</u>	<u>3,448</u>	<u>\$ 16,735</u>
FUND BALANCES:			
Beginning of year		<u>130,426</u>	
End of year		<u>\$ 133,874</u>	

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, 2010

	Capital Replacement	Self Insurance	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 215,296	\$ 86,999	\$ 302,295
Receivables:			
Depreciable assets, net	336,748	-	336,748
TOTAL ASSETS	<u>552,044</u>	<u>86,999</u>	<u>639,043</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	17,689	17,689
TOTAL LIABILITIES	<u>-</u>	<u>17,689</u>	<u>17,689</u>
NET ASSETS			
Invested in capital assets, net of related debt	336,748	-	336,748
Unrestricted	215,296	69,310	284,606
TOTAL NET ASSETS	<u>\$ 552,044</u>	<u>\$ 69,310</u>	<u>\$ 621,354</u>

City of Clayton
Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2010

	Capital Replacement	Self Insurance	Total
OPERATING REVENUES			
Charges for current services	\$ 15,636	\$ -	\$ 15,636
TOTAL OPERATING REVENUES	<u>15,636</u>	<u>-</u>	<u>15,636</u>
OPERATING EXPENSES			
General and administrative	1,553	83,207	84,760
Depreciation and amortization	47,166	-	47,166
TOTAL OPERATING EXPENSES	<u>48,719</u>	<u>83,207</u>	<u>131,926</u>
OPERATING INCOME (LOSS)	<u>(33,083)</u>	<u>(83,207)</u>	<u>(116,290)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	6,816	3,717	10,533
Capital contributions	83,553	-	83,553
Gain (Loss) on sale of asset	42,904	-	42,904
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>133,273</u>	<u>3,717</u>	<u>136,990</u>
CHANGE IN NET ASSETS	100,190	(79,490)	20,700
Beginning of fiscal year, As Restated (See Note 13)	<u>451,854</u>	<u>148,800</u>	<u>600,654</u>
End of fiscal year	<u>\$ 552,044</u>	<u>\$ 69,310</u>	<u>\$ 621,354</u>

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2010

	Capital Replacement	Self-Insurance Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/other funds	\$ 15,636	\$ -	\$ 15,636
Cash payment to suppliers for good and services	(1,553)	(67,533)	(69,086)
Net cash provided (used) by operating activities	<u>14,083</u>	<u>(67,533)</u>	<u>(53,450)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	(126,456)	-	(126,456)
Gain (Loss) on sale of asset	42,904	-	42,904
Capital Contributions	83,553	-	83,553
Net cash provided (used) by capital and related financing activities	<u>1</u>	<u>-</u>	<u>1</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	7,293	4,087	11,380
Net cash provided (used) by investing activities	<u>7,293</u>	<u>4,087</u>	<u>11,380</u>
Net increase (decrease) in cash and cash equivalents	21,377	(63,446)	(42,069)
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	193,919	150,445	344,364
End of fiscal year	<u>\$ 215,296</u>	<u>\$ 86,999</u>	<u>\$ 302,295</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (33,083)	\$ (83,207)	\$ (116,290)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	47,166	-	47,166
Changes in current assets and liabilities:			
Accounts receivable	-	-	-
Accounts payable	-	15,674	15,674
Total adjustments	<u>47,166</u>	<u>15,674</u>	<u>62,840</u>
Net cash provided (used) by operating activities	<u>\$ 14,083</u>	<u>\$ (67,533)</u>	<u>\$ (53,450)</u>

AGENCY FUNDS

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

Deposits – represents funds held for:

Performance Deposits

Clayton Community Library Foundation Deposits

Clayton Community Gym Donation Deposits

Rental Deposits

Planning Services Deposits

Other Deposits

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

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

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

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

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

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

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

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

City of Clayton
Statements of Changes in Assets and Liabilities
Agency Funds
For the fiscal year ended June 30, 2010

	Balance July 1, 2009	Net Changes in Assets and Liabilities	Balance June 30, 2010
<u>Deposits</u>			
Assets:			
Cash and investments	\$ 1,026,498	\$ 106,285	\$ 1,132,783
Other receivables	1,685	804	2,489
Total assets	\$ 1,028,183	\$ 107,089	\$ 1,135,272
Liabilities:			
Accounts payable	\$ 3,895	\$ 16,292	\$ 20,187
Other payables	54,430	(16,848)	37,582
Other deposits	568,584	75,569	644,153
Due to bondholders	401,274	32,076	433,350
Total liabilities	\$ 1,028,183	\$ 107,089	\$ 1,135,272
<u>Oakhurst Assessment District</u>			
Assets:			
Cash and investments	\$ 55,053	\$ (54,935)	\$ 118
Other receivables	149	(149)	0
Total assets	\$ 55,202	\$ (55,084)	\$ 118
Liabilities:			
Due to bondholders	55,202	(55,084)	118
Total liabilities	\$ 55,202	\$ (55,084)	\$ 118
<u>Middle School CFD</u>			
Assets:			
Cash and investments	\$ 45,839	\$ 461,838	\$ 507,677
Cash with fiscal agent	51,909	73,118	125,027
Investment in bonds	5,528,971	(1,426,971)	4,102,000
Other receivables	1,792	(1,792)	0
Total assets	\$ 5,628,511	\$ (893,807)	\$ 4,734,704
Liabilities:			
Accounts payable	\$ 2,029	\$ (1,941)	\$ 88
Due to bondholders	5,626,482	(891,866)	4,734,616
Total liabilities	\$ 5,628,511	\$ (893,807)	\$ 4,734,704

(Continued)

City of Clayton
Statements of Changes in Assets and Liabilities, Continued
Agency Funds
For the fiscal year ended June 30, 2010

	Balance July 1, 2009	Net Changes in Assets and Liabilities	Balance June 30, 2010
<u>Clayton Station CFD</u>			
Assets:			
Cash and investments	\$ 159,699	\$ 10,750	\$ 170,449
Interest receivables	392	(392)	0
Total assets	\$ 160,091	\$ 10,358	\$ 170,449
Liabilities:			
Due to bondholders	\$ 160,091	\$ 10,358	\$ 170,449
Total liabilities	\$ 160,091	\$ 10,358	\$ 170,449
<u>High Street Bridge</u>			
Assets:			
Cash and investments	\$ (16,394)	\$ 1,832	\$ (14,562)
Other receivables	77,200	(4,070)	73,130
Total assets	\$ 60,806	\$ (2,238)	\$ 58,568
Liabilities:			
Accounts payable	\$ 77,200	\$ (4,070)	\$ 73,130
Other payables	2,100	0	2,100
Due to bondholders	(18,494)	1,832	(16,662)
Total liabilities	\$ 60,806	\$ (2,238)	\$ 58,568
<u>Oak Street Bridge</u>			
Assets:			
Cash and investments	\$ (63,515)	\$ 3,096	\$ (60,419)
Other receivables	39,909	(3,991)	35,918
Total assets	\$ (23,606)	\$ (895)	\$ (24,501)
Liabilities:			
Accounts payable	\$ 39,909	\$ (3,991)	\$ 35,918
Other payables	18,340	0	18,340
Due to bondholders	(81,855)	3,096	(78,759)
Total liabilities	\$ (23,606)	\$ (895)	\$ (24,501)

(Continued)

City of Clayton
Statements of Changes in Assets and Liabilities, Continued
Agency Funds
For the fiscal year ended June 30, 2010

	Balance July 1, 2009	Net Changes in Assets and Liabilities	Balance June 30, 2010
<u>Lydia Lane Sewer Assessment</u>			
Assets:			
Cash and investments	\$ 70,249	\$ 1,484	\$ 71,733
Cash with fiscal agent	14,625	5	14,630
Other receivables	384,586	(186,261)	198,325
Total assets	\$ 469,460	\$ (184,772)	\$ 284,688
Liabilities:			
Accounts payable	\$ 384,414	\$ (186,089)	\$ 198,325
Due to bondholders	85,046	1,317	86,363
Total liabilities	\$ 469,460	\$ (184,772)	\$ 284,688
<u>Oak Street Sewer Assessment</u>			
Assets:			
Cash and investments	\$ (13,226)	\$ (403)	\$ (13,629)
Other receivables	198,230	0	198,230
Total assets	\$ 185,004	\$ (403)	\$ 184,601
Liabilities:			
Accounts payable	\$ 198,230	\$ 0	\$ 198,230
Due to bondholders	(13,226)	(403)	(13,629)
Total liabilities	\$ 185,004	\$ (403)	\$ 184,601
<u>CFA Clayton Financing Authority 2007</u>			
Assets:			
Cash and investments	\$ 765,526	\$ (428,725)	\$ 336,801
Cash with fiscal agent	484,683	(3,732)	480,951
Other receivables	0	0	0
Total assets	\$ 1,250,209	\$ (432,457)	\$ 817,752
Liabilities:			
Accounts payable	1,200	(1,200)	0
Due to bondholders	1,249,009	(431,257)	817,752
Total liabilities	\$ 1,250,209	\$ (432,457)	\$ 817,752
<u>All Agency Funds</u>			
Assets:			
Cash and investments	\$ 2,029,729	\$ 101,222	\$ 2,130,951
Cash with fiscal agent	551,217	69,391	620,608
Investment in bonds	5,528,971	(1,426,971)	4,102,000
Other receivables	703,943	(195,851)	508,092
Total assets	\$ 8,813,860	\$ (1,452,209)	\$ 7,361,651
Liabilities:			
Accounts payable	706,877	(180,999)	525,878
Interest payable	54,430	(16,848)	37,582
Other payables	20,440	0	20,440
Other deposits	568,584	75,569	644,153
Due to bondholders	7,463,529	(1,329,931)	6,133,598
Total liabilities	\$ 8,813,860	\$ (1,452,209)	\$ 7,361,651

Prepared using CAFR-Online.com