



CITY OF CLAYTON

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2015

(With Auditors' Report Thereon)

This page intentionally left blank.

City of Clayton
Basic Financial Statements
June 30, 2015
Table of Contents

I. INTRODUCTORY SECTION	Page
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 10
II. FINANCIAL SECTION	
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
<i>Governmental Funds Financial Statements:</i>	
Balance Sheet	18 – 19
Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22 – 23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
<i>Proprietary Funds:</i>	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows	28
<i>Fiduciary Funds:</i>	
<i>Agency Funds:</i>	
Statement of Fiduciary Net Position- Agency Funds	31
<i>Private-Purpose Trust Funds:</i>	
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	33
<i>Notes to Basic Financial Statements</i>	34 – 74
Required Supplementary Information	
<i>Notes to the Required Supplementary Information</i>	76
<i>Pension Plan Funding Status</i>	
Schedule of City's Net Proportionate Share of the Net Pension Liability	77
Schedule of the City's Contributions	78
<i>Other Postemployment Benefit Plan – Schedule of Funding Progress</i>	79
<i>Budgetary Comparison Schedule – General Fund</i>	82

City of Clayton
Basic Financial Statements
June 30, 2015
Table of Contents, continued

<i>Major Capital Projects Funds:</i>	
Budgetary Comparison Schedules	83 – 84
<i>Non-Major Governmental Funds Financial Statements:</i>	
Combining Balance Sheet	88 – 89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90 – 91
Budgetary Comparison Schedules	92 – 100
<i>Internal Service Funds:</i>	
Combining Balance Sheet	102
Combining Statement of Revenues, Expenses and Changes in Net Position	103
Combining Statement of Cash Flows	104
<i>Agency Funds:</i>	
Combining Statement of Assets and Liabilities	106 – 107

III. ADDITIONAL REPORTS

Independent Auditors' Report on Internal Controls over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	109 - 110
---	------------------

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Clayton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clayton, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Clayton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clayton, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management Discussion and Analysis on pages 3 – 10, the

Budgetary Comparison information on pages 82 – 84 and 92-100, the Employees’ Retirement System Schedule of the City’s Proportionate Share of the Net Pension Liability and the Employees’ Retirement System Schedule of the City’s Contributions on pages 77 – 78, and the Other Postemployment Benefit (OPEB) Schedule of Funding progress on page 79. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Clayton’s basic financial statements. The combining and fund financial statements on pages 88 – 91 and 101 – 107 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the City of Clayton implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*, during the fiscal year.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of City of Clayton’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clayton’s internal control over financial reporting and compliance.


CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 29, 2015

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the additional information that is furnished with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government -Wide Highlights

Net Position - The assets of the City of Clayton exceeded its liabilities at the close of the year ended June 30, 2015 by \$36,665,325. Of this amount, \$4,736,936 was reported as "unrestricted net position" and may be used to meet the ongoing obligations to citizens and creditors.

Changes in Net Position - The City's total net position increased by \$488,237 in fiscal year 2015. Net position of governmental activities increased by \$519,838, while net position of business-type activities decreased by \$31,601.

Major Fund Highlights

Governmental Funds –As of the year ended June 30, 2015, the City's governmental funds reported a combined ending fund balance of \$10,869,410. Of this amount \$4,506,705 represents "unassigned fund balances" available for appropriation.

General Fund - The unassigned fund balance of the general fund on June 30, 2015 was \$4,509,255, while the non-spendable fund balance was \$1,029,377.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015**

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 34 – 74 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 and other post-employment benefits to its employees and budgetary information for the General Fund and each of the Major Funds.

FINANCIAL ANALYSIS GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Clayton, assets exceeded liabilities by \$36,665,325 at June 30, 2015. This is an increase of \$488,237 or approximately 1.4% from the prior fiscal year's ending net position as restated as of June 30, 2014. Net position as of June 30, 2014 was restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The implementation of this new accounting standard in the current fiscal year required the City of Clayton to report a net pension liability of \$4,507,319 and deferred outflows of \$325,013 as of June 30, 2014. This required a restatement to decrease Governmental Activities net position by \$4,182,306 as of June 30, 2014. The

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015**

new disclosures pertaining to this new accounting standard are found in Note 10 to the financial statements.

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

The following is condensed comparative Statements of Net Position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities 2015	Governmental Activities 2014	Business- Type Activities 2015	Business- Type Activities 2014	Total 2015	Total 2014
Current Assets	\$ 11,107,974	\$ 9,514,916	\$ (35,749)	\$ 45,573	\$ 11,072,225	\$ 9,560,489
Non-Current Assets	992,829	996,820	-	-	992,829	996,820
Capital Assets	28,653,515	29,344,437	1,250,681	1,286,748	29,904,196	30,631,185
Total Assets	40,754,318	39,856,173	1,214,932	1,332,321	41,969,250	41,188,494
Deferred Outflows	471,130	325,013	-	-	471,130	325,013
Current Liabilities	566,720	403,080	8,823	94,611	575,543	497,691
Long-term Liabilities	3,870,017	4,661,278	-	-	3,870,017	4,661,278
Total Liabilities	4,436,737	5,064,358	8,823	94,611	4,445,560	5,158,969
Deferred Inflows	1,329,495	177,450	-	-	1,329,495	177,450
Net investment						
in capital assets	28,653,515	29,344,437	1,250,681	1,286,748	29,904,196	30,631,185
Restricted	2,024,193	3,470,831	-	-	2,024,193	3,470,831
Unrestricted	4,781,508	2,124,110	(44,572)	(49,038)	4,736,936	2,075,072
Total Net Position	\$ 35,459,216	\$ 34,939,378	\$ 1,206,109	\$ 1,237,710	\$ 36,665,325	\$ 36,177,088

Of the City of Clayton's total net position, \$2,024,193 (5.5%), represents resources that are subject to external restrictions on how they may be used. The balance of the *unrestricted net position* of \$4,736,936 may be used to meet the City's ongoing obligations to citizens and creditors.

City revenues for the year, including both governmental and business-type activities, were \$6,672,726, while expenses totaled \$6,077,978, resulting in a net increase in net position of \$594,748 excluding extraordinary and special items. This net increase was primarily attributable to the General Fund operating surplus and well as the planned deferral of significant capital project expenditures in specified special revenue funds (Measure J, Gas Tax, and Landscape Maintenance District) to the following fiscal year ending June 30, 2016. Further analysis is provided within the governmental and business-type activity sections on the next page.

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015

Following is a recap of the City of Clayton's Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities 2015	Governmental Activities 2014	Business Type Activities 2015	Business Type Activities 2014	Total 2015	Total 2014
Revenues:						
Program revenues:						
Charges for services	863,048	795,415	25,818	19,545	888,866	814,960
Operating and capital grants and contributions	157,397	683,492	-	-	157,397	683,492
Total program revenues	1,020,445	1,478,907	25,818	19,545	1,046,263	1,498,452
General revenues:						
Property taxes	2,302,278	1,862,734	-	-	2,302,278	1,862,734
Sales taxes	397,544	370,330	-	-	397,544	370,330
Special taxes and assessments	1,407,850	1,260,823	-	-	1,407,850	1,260,823
Other taxes	1,339,537	865,752	-	-	1,339,537	865,752
Investment income	82,909	64,319	175	393	83,084	64,712
Miscellaneous	91,230	175,082	4,316	-	95,546	175,082
Gain (loss) on sale of assets	624	-	-	-	624	-
Total general revenues	5,621,972	4,599,040	4,491	393	5,626,463	4,599,433
Total revenues	6,642,417	6,077,947	30,309	19,938	6,672,726	6,097,885
Expenses						
General government	1,119,567	1,249,238	-	-	1,119,567	1,249,238
Public works	2,139,918	2,118,015	-	-	2,139,918	2,118,015
Parks and recreation services	339,894	352,498	-	-	339,894	352,498
Community and economic development	405,941	410,413	-	-	405,941	410,413
Public safety	2,006,052	2,016,145	-	-	2,006,052	2,016,145
Community gym	-	-	-	-	-	-
Endeavor hall	-	-	66,606	65,351	66,606	65,351
Total expenses	6,011,372	6,146,309	66,606	65,351	6,077,978	6,211,660
Increase (decrease) in Net Position before transfers, special and extraordinary items						
	631,045	(68,362)	(36,297)	(45,413)	594,748	(113,775)
Transfers in/(out)	88,793	(688,709)	(88,793)	-	-	(688,709)
Special items	-	-	93,489	-	93,489	-
Extraordinary items	(200,000)	-	-	-	(200,000)	-
Change in Net Position	519,838	(757,071)	(31,601)	(45,413)	488,237	(802,484)
Net Position - Beginning	34,939,378	39,969,445	1,237,710	1,192,433	36,177,088	41,161,878
Prior period adjustment (FY 2014)	-	(90,690)	-	90,690	-	-
Prior period adjustment (FY 2015)	-	(4,182,306)	-	-	-	(4,182,306)
Net Position - beg. of year, as restated	34,939,378	35,696,449	1,237,710	1,283,123	36,177,088	36,979,572
Net Position - Ending	35,459,216	34,939,378	1,206,109	1,237,710	36,665,325	36,177,088

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015**

Analysis of Governmental Activities

Total governmental expenses were \$6,011,372 in the current year compared to \$6,146,309 in the prior year. In order by relative size, expenses were incurred for the following functions for the fiscal year ending June 30, 2015: public works (35.6%), public safety (33.4%), general government (18.6%), community and economic development (6.8%), and parks and recreation services (5.7%).

Total program revenues from governmental activities were \$1,020,445 in the current year. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from government's general revenues. Of the governmental program revenues 84.6% were derived from Charges for Services, which includes park use fees, rental fees, licenses and permits, plan checking fees, police service fees, planning services fees, and other revenues. The remaining 15.4% of the governmental program revenues came from grant funding. General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, motor vehicle fees, investment earnings, special taxes and assessments, fines, franchise fees, use of money and property, service charges, and other revenues.

Total general revenues from governmental activities were \$5,621,972 in the current year, of which \$2,302,278 or 41% is pertained to general property taxes. Property tax revenues increased by \$439,544 or 23.6%. This large increase pertained chiefly to the City's proportional share of Real Property Tax Trust Fund (RPTTF) monies arising from the distribution of unencumbered Low-Moderate Income Housing funds to Contra Costa County pursuant to AB 1484 redevelopment agency dissolution law. The remaining increase largely pertained to growth in assessed values of properties within the City resulting from a steadily strengthening economy as well as the County Assessor's Office continuing to restore temporary real property devaluations arising from Proposition 8 (1978) back to their Proposition 13 (1978) ceiling levels.

Analysis of Business-Type Activities

Total business-type expenses were \$66,606 in the current year compared to \$65,351 in the prior year. Total charges for services were \$25,818 in the current year compared to \$19,545 in the prior year, which is a 32% increase. Although revenues came in noticeably higher than in the prior year, net position of business-type activities still declined by \$31,601 to a total of \$1,206,109 at June 30, 2015 primarily due to charges for services not being sufficient to cover annual depreciation expense of the underlying rental facilities.

FINANCIAL ANALYSIS OF INDIVIDUAL FUND STATEMENTS

Analysis of Governmental Funds

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

As of the end of the current fiscal year, the City of Clayton's governmental funds reported combined ending fund balances of \$10,869,410. Of this amount, in order or relative significance, \$4,506,705

**City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015**

(41.5%) is unassigned, \$3,309,135 (30.4%) is assigned for specific purposes, \$1,303,081 (12.0%) is restricted by law, regulation, or other outside contractual agreements, \$1,029,377 (9.5%) is in non-spendable form, and \$721,112 (6.6%) is committed for specific expenditures in the future.

The City of Clayton's General Fund reported an increase in fund balance of \$389,895 in the current fiscal year. This increase in fund balance is largely attributable to expenditures coming in under budget, significant revenue sources such as property and sales taxes coming in over budget, as well as non-recurring spikes arising from the conclusion of the Low-Moderate Income Housing Fund AB 1484 Due Diligence Review and the consolidation of the City's Community Gym enterprise function into the General Fund.

Analysis of Proprietary Funds

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

Total net position of the Major Enterprise Funds at the end of the year was \$1,206,109, and those for the Internal Service Fund amounted to \$476,787. A resolution to the dispute with Mt. Diablo Unified School District on the use of the Clayton Community Gym facility resulted in the closure of the corresponding enterprise fund and consolidation of all activities into the General Fund during the fiscal year ended June 30, 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues and transfers in exceeded total budgeted revenues by \$552,157 (14.2%). This significant favorable variance was largely attributable to a spike in non-recurring revenues including: (1) payment from the County of the City's 6.9% share of the Low-Moderate Income Funds Due Diligence Review residual balance, the resolution to the dispute with Mt. Diablo Unified School District on the use of Clayton Community Gym facility resulting in the closure of the City's former Community Gym Enterprise Fund and consolidation into the General Fund, (3) an increase in the General Fund's share of Redevelopment Property Tax Trust Fund (RPTTF) revenues in January 2015 resulting from the DOF's disallowance of 100% of items requested by the Successor Agency in the ROPS 2014-15B, and (4) payments from the State for old claims on reimbursable state-mandated activities under California Senate Bill 90 (SB 90). The final fiscal year 2014-15 General Fund budget for expenditures totaled \$3,852,275. Actual General Fund operating expenditures of \$3,841,843 were under the final legally adopted budget by \$10,452 (0.2%).

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, 2015, amounted to \$29,904,196 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, corporate yard building, and roads. Total depreciation expenses on governmental assets totaled \$916,485, versus \$884,830 in the prior year. The slight increase in depreciation was largely attributable to significant

City of Clayton
Management's Discussion and Analysis
For the fiscal year ended June 30, 2015

capital assets deemed complete in the prior year (\$1,499,899), that were depreciated for a full year for the first time in the current year pursuant to the mid-year convention depreciation method.

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

Debt Administration

The remaining debt of the former RDA of \$5,835,000 was transferred to the Successor Agency on February 1, 2012 (fiscal year ending June 30, 2012). The City has no outstanding general obligation debt. The former RDA maintains a "AAA" rating for Tax Allocation Bonds from Standard & Poor's. Additional information on the Successor Agency's long-term debt obligations can be found in Note 12 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

There was a noteworthy increase in the General Fund's final budgeted operational expenditures for fiscal year 2015-16 of \$243,653 (6.3%). The rise in operational appropriations was partially attributable to an unavoidable increase in the annual contract cost with the City of Concord for police dispatch services. In addition, effective July 1, 2015 the City's pension administrator (CalPERS) implemented a mandatory hike in pension contributions arising from the Public Employee Pension Reform Act (PEPRA) of 2012 to address historical increases in the actuarially determined unfunded pension liability.

In the adopted fiscal year 2015-16 budget, total revenues of the General Fund are projected to be \$4,124,444, which is an increase of approximately \$244,883 (6.3%) over the fiscal year 2014-15 adopted budget. The projected revenue increase is supported by actual 2014-15 operational revenue results which were not available during budget preparation procedures in April-May of 2015. This growth is further reinforced by the fact that budgeted 2015-16 General Fund revenues are actually only \$60,340 (1.5%) higher than actual "ordinary operating revenue" results for the fiscal year ending June 30, 2015, which excludes the non-recurring revenues spikes.

REQUEST FOR INFORMATION

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

FINANCIAL SECTION

This page intentionally left blank.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

City of Clayton
Statement of Net Position
June 30, 2015

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash and investments	\$ 10,047,587	\$ -	\$ 10,047,587
Accounts receivable (net of allowances)	973,788	-	973,788
Interest receivable	36,671	-	36,671
Internal balances	35,749	(35,749)	-
Prepaid expenses	14,179	-	14,179
Total Current Assets	<u>11,107,974</u>	<u>(35,749)</u>	<u>11,072,225</u>
Noncurrent Assets:			
Notes receivable	992,829	-	992,829
Nondepreciable assets	2,138,486	167,738	2,306,224
Depreciable assets, net	26,515,029	1,082,943	27,597,972
Total Noncurrent Assets	<u>29,646,344</u>	<u>1,250,681</u>	<u>30,897,025</u>
TOTAL ASSETS	<u>40,754,318</u>	<u>1,214,932</u>	<u>41,969,250</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	471,130	-	471,130
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>471,130</u>	<u>-</u>	<u>471,130</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	401,782	927	402,709
Deposits payable	-	5,500	5,500
Accrued payroll	57,550	-	57,550
Compensated absences payable (current portion)	76,967	-	76,967
Other accrued liabilities	30,421	2,396	32,817
Total Current Liabilities	<u>566,720</u>	<u>8,823</u>	<u>575,543</u>
Noncurrent Liabilities:			
Compensated absences payable (long-term portion)	76,967	-	76,967
OPEB liability	99,656	-	99,656
Net pension liability	3,693,394	-	3,693,394
Total Noncurrent Liabilities	<u>3,870,017</u>	<u>-</u>	<u>3,870,017</u>
TOTAL LIABILITIES	<u>4,436,737</u>	<u>8,823</u>	<u>4,445,560</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	69,977	-	69,977
Deferred billings	398,115	-	398,115
Deferred note receivable	15,931	-	15,931
Deferred pension	845,472	-	845,472
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,329,495</u>	<u>-</u>	<u>1,329,495</u>
NET POSITION			
Net investment in capital assets	28,653,515	1,250,681	29,904,196
Restricted for special projects and programs	2,024,193	-	2,024,193
Unrestricted	4,781,508	(44,572)	4,736,936
TOTAL NET POSITION	<u>\$ 35,459,216</u>	<u>\$ 1,206,109</u>	<u>\$ 36,665,325</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

For the fiscal year ended June 30, 2015	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General government	\$ 1,119,567	643,070	\$ -	\$ -	\$ (476,497)	\$ -	\$ (476,497)
Public works	2,139,918	165,789	-	-	(1,974,129)	-	(1,974,129)
Parks and recreation services	339,894	14,337	-	-	(325,557)	-	(325,557)
Community and economic development	405,941	25,990	-	-	(379,951)	-	(379,951)
Public safety	2,006,052	13,862	157,397	-	(1,834,793)	-	(1,834,793)
Total Governmental Activities	<u>6,011,372</u>	<u>863,048</u>	<u>157,397</u>	<u>-</u>	<u>(4,990,927)</u>	<u>-</u>	<u>(4,990,927)</u>
Business-Type Activities							
Endeavor Hall	66,606	25,818	-	-	-	(40,788)	(40,788)
Total Business-Type Activities	<u>66,606</u>	<u>25,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,788)</u>	<u>(40,788)</u>
Total Primary Government	<u>\$ 6,077,978</u>	<u>\$ 888,866</u>	<u>\$ 157,397</u>	<u>\$ -</u>	<u>(4,990,927)</u>	<u>(40,788)</u>	<u>(5,031,715)</u>
General revenues:							
Taxes:							
Property taxes					2,302,278	-	2,302,278
Sales taxes					397,544	-	397,544
Special taxes and assessments					1,407,850	-	1,407,850
Other taxes					1,339,537	-	1,339,537
Total Taxes					<u>5,447,209</u>	<u>-</u>	<u>5,447,209</u>
Investment income (loss)					82,909	175	83,084
Gain on fixed asset disposal					624	-	624
Miscellaneous					91,230	4,316	95,546
Transfer from Community Gym Fund					88,793	(88,793)	-
Total general revenues and transfers					<u>5,710,765</u>	<u>(84,302)</u>	<u>5,626,463</u>
Change in net position from continuing activities							
					719,838	(125,090)	594,748
Special item- gain on dispute					-	93,489	93,489
Extraordinary loss on RDA settlement					(200,000)	-	(200,000)
Change in net position					<u>519,838</u>	<u>(31,601)</u>	<u>488,237</u>
Net position - beginning of year					39,121,684	1,237,710	40,359,394
Prior period adjustment - Adoption of GASB 68 (see Note 10)					(4,182,306)	-	(4,182,306)
Net position - beginning of year, as restated					<u>34,939,378</u>	<u>1,237,710</u>	<u>36,177,088</u>
Net position - end of year					<u>\$ 35,459,216</u>	<u>\$ 1,206,109</u>	<u>\$ 36,665,325</u>

The accompanying notes are an integral part of the financial statements

This page intentionally left blank.

GOVERNMENTAL FUNDS

General Fund

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

Major Special Revenue Funds:

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

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

Major Capital Projects Funds:

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

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

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, 2015**

	Major Funds		
	General Fund	Clayton Landscape Maintenance	Capital Improvements Fund
ASSETS			
Cash and investments	\$ 4,715,745	\$ 907,014	\$ 2,015,674
Accounts receivable	625,843	-	-
Interest receivable	36,671	-	-
Notes receivable	992,829	-	-
Prepaid expenses	14,179	-	-
Due from other funds	2,580	-	-
Advance to other funds	38,299	-	-
TOTAL ASSETS	<u>\$ 6,426,146</u>	<u>\$ 907,014</u>	<u>\$ 2,015,674</u>
LIABILITIES			
Accounts payable	\$ 272,386	\$ 80,197	\$ 7,586
Other payables	16,588	10,615	-
Accrued payroll	57,550	-	-
Accrued vacation	76,967	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
TOTAL LIABILITIES	<u>423,491</u>	<u>90,812</u>	<u>7,586</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred fee and rental receipts	69,977	-	-
Deferred billings	378,115	-	-
Deferred note receivable	15,931	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>464,023</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Non-spendable	1,029,377	-	-
Restricted	-	528,078	-
Committed	-	-	-
Assigned	-	288,124	2,008,088
Unassigned	4,509,255	-	-
TOTAL FUND BALANCE	<u>5,538,632</u>	<u>816,202</u>	<u>2,008,088</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,426,146</u>	<u>\$ 907,014</u>	<u>\$ 2,015,674</u>

The accompanying notes are an integral part of the financial statements

**City of Clayton
Balance Sheet
Governmental Funds
June 30, 2015**

Other Governmental	Total
\$ 2,228,504	\$ 9,866,937
347,945	973,788
-	36,671
-	992,829
-	14,179
-	2,580
-	38,299
\$ 2,576,449	\$ 11,925,283
\$ 41,613	401,782
3,218	30,421
-	57,550
-	76,967
2,550	2,550
2,580	2,580
49,961	571,850
-	69,977
20,000	398,115
-	15,931
20,000	484,023
-	1,029,377
775,003	1,303,081
721,112	721,112
1,012,923	3,309,135
(2,550)	4,506,705
2,506,488	10,869,410
\$ 2,576,449	\$ 11,925,283

This page intentionally left blank.

City of Clayton

Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Position

June 30, 2015

Total Fund Balances - Governmental Funds	\$ 10,869,410
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	
Non-depreciable capital assets	2,138,486
Depreciable capital assets, net (net of internal service fund assets of \$296,137)	26,218,892
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	
OPEB liability	(99,656)
Compensated absences payable	(76,967)
Deferred outflows of resources for pensions not reported on the Governmental Funds Balance Sheet	471,130
Net pension liability not reported on the Governmental Funds Balance Sheet	(3,693,394)
Deferred inflows of resources for pensions not reported on the Governmental Funds Balance Sheet	(845,472)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Government-wide Statement of Net Position.	<u>476,787</u>
Net Position of Governmental Activities	<u><u>\$ 35,459,216</u></u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the fiscal year ended June 30, 2015

	Major Funds		
	General Fund	Clayton Landscape Maintenance Fund	Capital Improvements Fund
REVENUES			
Property taxes	\$ 2,302,278	\$ -	\$ -
Program income	10,063	-	-
Special taxes and assessments	-	1,005,309	-
Sales taxes	397,544	-	-
Permits, licenses and fees	264,764	-	-
Fines, forfeitures and penalties	72,635	-	-
Intergovernmental	107,724	-	-
Motor vehicle in-lieu fees	4,590	-	-
Other in-lieu fees	151,816	-	-
Franchise fees	501,597	-	-
Service charges	366,080	-	-
Use of money and property	39,186	6,504	16,929
Other revenue	22,574	-	1,557
TOTAL REVENUES	<u>4,240,851</u>	<u>1,011,813</u>	<u>18,486</u>
EXPENDITURES			
Current			
General government	1,018,852	-	-
Public works	167,282	719,921	-
Parks and recreation services	349,862	-	-
Community and economic development	379,348	-	-
Public safety	1,926,479	-	-
Capital Outlay	-	41,588	62,639
TOTAL EXPENDITURES	<u>3,841,823</u>	<u>761,509</u>	<u>62,639</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>399,028</u>	<u>250,304</u>	<u>(44,153)</u>
OTHER FINANCING SOURCES			
Transfers in	190,867	259,704	148,975
Transfers out	-	(33,968)	(259,705)
TOTAL OTHER FINANCING SOURCES (USES)	<u>190,867</u>	<u>225,736</u>	<u>(110,730)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>589,895</u>	<u>476,040</u>	<u>(154,883)</u>
Extraordinary loss on AB 1484 dissolution	(200,000)	-	-
CHANGE IN FUND BALANCES	<u>389,895</u>	<u>476,040</u>	<u>(154,883)</u>
FUND BALANCES:			
Beginning of year	<u>5,148,737</u>	<u>340,162</u>	<u>2,162,971</u>
End of fiscal year	<u>\$ 5,538,632</u>	<u>\$ 816,202</u>	<u>\$ 2,008,088</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the fiscal year ended June 30, 2015

Other Governmental	Total
\$ -	\$ 2,302,278
-	10,063
282,439	1,287,748
-	397,544
41,781	306,545
-	72,635
959,033	1,066,757
-	4,590
-	151,816
-	501,597
-	366,080
18,789	81,408
<u>67,000</u>	<u>91,131</u>
<u>1,369,042</u>	<u>6,640,192</u>
-	1,018,852
455,170	1,342,373
-	349,862
31,624	410,972
79,128	2,005,607
<u>156,668</u>	<u>260,895</u>
<u>722,590</u>	<u>5,388,561</u>
<u>646,452</u>	<u>1,251,631</u>
912	600,458
<u>(217,992)</u>	<u>(511,665)</u>
<u>(217,080)</u>	<u>88,793</u>
429,372	1,340,424
<u>-</u>	<u>(200,000)</u>
429,372	1,140,424
<u>2,077,116</u>	<u>9,728,986</u>
<u>\$ 2,506,488</u>	<u>\$ 10,869,410</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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 1,140,424
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (Net of internal service fund depreciation of \$112,061).	(804,423)
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-terms assets are collected, they are reflected as revenue. This amount is the net change in the long-term assets for the current period.	(11,665)
Long-term compensated absences are reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds. The program expenses are adjusted for the current year net changes in compensated absences.	(10,999)
Capital asset acquisition, excluding internal service fund asset acquisitions.	162,339
Change in accrued net pension liability	114,570
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>(70,408)</u>
Change in Net Position of Governmental Activities on Statement of Activities	<u>\$ 519,838</u>

PROPRIETARY FUNDS

City of Clayton
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Community Gym</u>	<u>Endeavor Hall</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 180,650
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Noncurrent Assets				
Land	-	167,738	167,738	-
Depreciable assets, net	<u>-</u>	<u>1,082,943</u>	<u>1,082,943</u>	<u>296,137</u>
TOTAL ASSETS	<u>-</u>	<u>1,250,681</u>	<u>1,250,681</u>	<u>476,787</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	-	927	927	-
Other payables	-	2,396	2,396	-
Deposits payable	-	5,500	5,500	-
Due to other funds	<u>-</u>	<u>35,749</u>	<u>35,749</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>44,572</u>	<u>44,572</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	-	1,250,681	1,250,681	296,137
Unrestricted	<u>-</u>	<u>(44,572)</u>	<u>(44,572)</u>	<u>180,650</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 1,206,109</u>	<u>\$ 1,206,109</u>	<u>\$ 476,787</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Community Gym	Endeavor Hall	Total	Governmental Activities Internal Services Funds
OPERATING REVENUES				
Charges for current services	\$ -	\$ 25,818	\$ 25,818	\$ 56,672
Other operating income	<u>-</u>	<u>4,316</u>	<u>4,316</u>	<u>100</u>
TOTAL OPERATING REVENUES	<u>-</u>	<u>30,134</u>	<u>30,134</u>	<u>56,772</u>
OPERATING EXPENSES				
Personnel	-	15,980	15,980	-
General and administrative	-	14,559	14,559	17,244
Depreciation and amortization	<u>-</u>	<u>36,067</u>	<u>36,067</u>	<u>112,061</u>
TOTAL OPERATING EXPENSES	<u>-</u>	<u>66,606</u>	<u>66,606</u>	<u>129,305</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>(36,472)</u>	<u>(36,472)</u>	<u>(72,533)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfer to General Fund	(88,793)	-	(88,793)	-
Loss on disposal of assets	-	-	-	624
Investment income	<u>175</u>	<u>-</u>	<u>175</u>	<u>1,501</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(88,618)</u>	<u>-</u>	<u>(88,618)</u>	<u>2,125</u>
Special item- gain upon dispute resolution	93,489	-	93,489	-
CHANGE IN NET POSITION	<u>4,871</u>	<u>(36,472)</u>	<u>(31,601)</u>	<u>(70,408)</u>
NET POSITION:				
Beginning of fiscal year	<u>(4,871)</u>	<u>1,242,581</u>	<u>1,237,710</u>	<u>547,195</u>
End of fiscal year	<u>\$ -</u>	<u>\$ 1,206,109</u>	<u>\$ 1,206,109</u>	<u>\$ 476,787</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Major Enterprise Funds			Governmental Activities Internal Service Funds
	Community Gym	Endeavor Hall	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ -	\$ 29,178	\$ 29,178	\$ 56,772
Cash payments to suppliers for goods and services	-	(13,198)	(13,198)	(17,286)
Cash payment to employees for services	-	(15,980)	(15,980)	-
Net cash provided (used) by operating activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,486</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer to General Fund	(77,793)	-	(77,793)	-
Acquisition of fixed assets	-	-	-	(63,223)
Net cash provided by capital and related financing activities	<u>(77,793)</u>	<u>-</u>	<u>(77,793)</u>	<u>(63,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	175	-	175	1,501
Gain on sale of fixed assets	-	-	-	624
Net Cash provided by investing activities	<u>175</u>	<u>-</u>	<u>175</u>	<u>2,125</u>
Net increase (decrease) in cash and cash equivalents	(77,618)	-	(77,618)	(21,612)
CASH AND CASH EQUIVALENTS:				
Fiscal year ended June 30, 2014	<u>77,618</u>	<u>-</u>	<u>77,618</u>	<u>202,262</u>
Fiscal year end June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,650</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ (36,472)	\$ (36,472)	\$ (72,533)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	36,067	36,067	112,061
Changes in current assets and liabilities:				
Accounts receivable	-	-	-	-
Accounts payable	-	(340)	(340)	(42)
Other payables	-	(2,003)	(2,003)	-
Due to other funds	-	3,704	3,704	-
Deposits payable	-	(956)	(956)	-
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,486</u>

The accompanying notes are an integral part of the financial statements

FIDUCIARY FUNDS

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

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

This page intentionally left blank.

City of Clayton
Statement of Fiduciary Net Position
Agency Funds
(Excludes Private Purpose Trust Funds)
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 2,308,642
Cash with fiscal agents	471,536
Assessments receivable	3,461,640
Other receivables	38,000
Investment in bonds	<u>3,012,000</u>
TOTAL ASSETS	<u>\$ 9,291,818</u>
LIABILITIES	
Accounts payable	\$ 7,125
Other liabilities	2,176,479
Other deposits	766,574
Notes payable	155,315
Local obligations payable	3,012,000
Due to bondholders	<u>3,174,325</u>
TOTAL LIABILITIES	<u>\$ 9,291,818</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
June 30, 2015

<u>ASSETS</u>	Redevelopment Retirement Trust Fund	Redevelopment LMI Retirement Trust Fund	Eliminations	Total
Current assets:				
Cash and investments	\$ 1,914,490	\$ 557,378	\$ -	\$ 2,471,868
Cash and investments with fiscal agents	274,095	-	-	274,095
Accounts receivable	137,500	15,000	(15,000)	137,500
Total current assets	<u>2,326,085</u>	<u>572,378</u>	<u>(15,000)</u>	<u>2,883,463</u>
Noncurrent assets:				
Advance to Redevelopment Retirement Trust Fund	-	592,412	(592,412)	-
Notes receivable	139,384	4,120,800	-	4,260,184
Total noncurrent assets	<u>139,384</u>	<u>4,713,212</u>	<u>(592,412)</u>	<u>4,260,184</u>
Total assets	<u>\$ 2,465,469</u>	<u>\$ 5,285,590</u>	<u>\$ (607,412)</u>	<u>\$ 7,143,647</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>				
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 15,000	\$ -	\$ (15,000)	\$ -
Accrued interest payable	-	-	-	-
Current portion of long term debt	325,000	-	-	325,000
Total current liabilities	<u>340,000</u>	<u>-</u>	<u>(15,000)</u>	<u>325,000</u>
Noncurrent liabilities:				
Long term debt, net of current portion	3,465,000	-	-	3,465,000
Advance from Redevelopment LMI Retirement Trust Fund	592,412	-	(592,412)	-
Notes payable	976,899	-	-	976,899
Total noncurrent liabilities	<u>5,034,311</u>	<u>-</u>	<u>(592,412)</u>	<u>4,441,899</u>
Total liabilities	<u>5,374,311</u>	<u>-</u>	<u>(607,412)</u>	<u>4,766,899</u>
<u>Deferred inflows of resources</u>				
Deferred notes receivables	139,384	3,397,000	-	3,536,384
Total deferred inflows of resources	<u>139,384</u>	<u>3,397,000</u>	<u>-</u>	<u>3,536,384</u>
<u>NET POSITION</u>				
Held in trust for other governments	(3,048,226)	1,888,590	-	(1,159,636)
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,465,469</u>	<u>\$ 5,285,590</u>	<u>\$ (607,412)</u>	<u>\$ 7,143,647</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the fiscal year ended June 30, 2015

	Redevelopment Retirement Trust Fund	Redevelopment LMI Retirement Trust Fund	Total
Additions			
Tax increment revenue	\$ 588,829	\$ -	\$ 588,829
Program revenue	22,873	86,400	109,273
Interest income	13,929	21,817	35,746
Total additions	<u>625,631</u>	<u>108,217</u>	<u>733,848</u>
Deductions			
Interest expense	52,302	-	52,302
Administrative costs	250,000	-	250,000
Other expenses	6,119	5,225	11,344
Total deductions	<u>308,421</u>	<u>5,225</u>	<u>313,646</u>
Extraordinary gain / (loss)	<u>137,500</u>	<u>(3,616,725)</u>	<u>(3,479,225)</u>
Change in net position	454,710	(3,513,733)	(3,059,023)
Net position held in trust - beginning	<u>(3,502,936)</u>	<u>5,402,323</u>	<u>1,899,387</u>
Net position held in trust - ending	<u>\$ (3,048,226)</u>	<u>\$ 1,888,590</u>	<u>\$ (1,159,636)</u>

The accompanying notes are an integral part of the financial statements

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Clayton (City) is primarily a residential community nestled in the foothills of Mount Diablo in Contra Costa County, California. The City was incorporated as a municipal corporation in 1964, and encompasses four square miles with a population of 11,300.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. The City's staff of 25 full time equivalent employees, of which 11 are sworn officers in the Police Department, are under contract with the City and responsible for the following City services:

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

The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Clayton Redevelopment Agency ("RDA"), which was dissolved as of February 1, 2012 was accounted for as a "blended" component unit of the City. Despite being legally separate, this entity was so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit were reported within the funds of the City. Upon the dissolution of the RDA, the City no longer has any blended component units.

B. Basis of Accounting and Measurement Focus

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Revenues from other governmental agencies (excluding property taxes) are deemed to be available if received within 180 days after fiscal year end. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

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

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

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.

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

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

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

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

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

The City has the following major enterprise funds:

Community Gym - This fund accounts for all City activities located at the Mt. Diablo Unified School District-owned Community Gym and managed under contract 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.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City has the following internal service funds:

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

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

Fiduciary Fund Financial Statements

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

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

C. Use of Restricted and Unrestricted Net Position

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

D. Cash and Investments

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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

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

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

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

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

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

The City's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash, cash on hand, demand deposits, restricted cash, and investments held in the City investment pool.

E. Capital Assets

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

Buildings	50 years
Improvements other than buildings	20 - 75 years
Vehicles, machinery and equipment	5 - 10 years
Infrastructure	20 - 75 years

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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

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

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

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

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

F. Long-Term Liabilities

Government-Wide Financial Statements

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Liabilities, Continued

Fund Financial Statements

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

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

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

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

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

H. Pensions

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position / Fund Balances

Government-Wide Financial Statements

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

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

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

Unrestricted Net Position - This amount is all net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position." Nonspendable governmental funds balances are categorized as unrestricted net position on the Government-Wide Financial Statements.

Fund Balance Reporting

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Taxes

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

J. Use of Estimates

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

K. Interfund Balances/Internal Balances

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

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

L. New Accounting Pronouncements

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

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

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

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

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

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

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

- In November of 2013, GASB issued GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued (highlighted green are new)

The City is required to implement provisions of this Statement simultaneously with the provisions of Statement 68 for the current fiscal year (effective for periods beginning after June 15, 2014). This Statement resulted in a change in current practice, and will have a material effect on the financial statements of the City. Please see Note 10 for additional details.

- In February of 2015, GASB issued GASBS No. 72, *Fair Value Measurement and Application*. Fair value is described as an exit price. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

- In June of 2015, GASB issued GASBS No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes, and clarifies the application of certain provisions of Statements 67 and 68.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

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

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015). This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- In June of 2015, GASB issued GASBS No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

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

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

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

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

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

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

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

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

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

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

- In June of 2015, GASB issued GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

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

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

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

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

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

- In June of 2015, GASB issued GASBS No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Accounting Pronouncements, Continued

The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2016 (effective for periods beginning after June 15, 2015), and should be applied retroactively. This Statement may result in a change in current practice, and have a material effect on the financial statements of the City.

- In August of 2015, GASB issued GASBS No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
 - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
 - The gross dollar amount of taxes abated during the period
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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

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

2. CASH AND INVESTMENTS

Statement of Net Position:	
Cash and investments	\$ 10,047,587
Statement of Fiduciary Net Position, excluding S.A. funds:	
Cash and investments	2,308,642
Cash with fiscal agents	471,536
Investment in bonds	3,012,000
Statement of Fiduc. Net Position, Priv. Purp. Trust Fund- Successor Agency:	
Cash and investments	2,471,868
Cash with fiscal agents	274,095
Total	<u>\$ 18,585,728</u>
Cash and investments as of June 30, 2015, consist of the following:	
Cash on hand	\$ 1,000
Deposits with financial institutions	1,593,159
Investments	16,991,569
Total	<u>\$ 18,585,728</u>

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

2. CASH AND INVESTMENTS, Continued

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

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

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

Investments Authorized by Debt Agreements

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

2. CASH AND INVESTMENTS, Continued

Disclosures Relating to Interest Rate Risk

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

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months or Less	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	More than 60 Months
State Investment Pool	\$ 2,194,519	\$ 2,194,519	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	10,020,518	1,644,989	1,199,719	1,884,251	2,589,673	2,601,886	100,000
Gov't Agency Notes	999,578	-	-	-	-	399,832	599,746
Held by bond trustees:							
Money Market Funds	764,954	764,954	-	-	-	-	-
Bonds held in refunding	3,012,000	296,000	316,000	342,000	362,000	383,000	1,313,000
	<u>\$ 16,991,569</u>	<u>\$ 4,900,462</u>	<u>\$ 1,515,719</u>	<u>\$ 2,226,251</u>	<u>\$ 2,951,673</u>	<u>\$ 3,384,718</u>	<u>\$ 2,012,746</u>

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal Rating	Exempt from Disclosure	Rating				Not Rated
			AAA	AA	A		
State Investment Pool	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	2,194,519
Certificates of Deposit	N/A	-	-	-	-	-	10,020,518
Gov't Agency Notes	N/A	-	-	-	-	-	999,578
Held by bond trustees:							
Money Market Funds	N/A	-	-	-	-	-	764,954
Bonds	N/A	-	-	-	-	-	
Bonds held in refunding	N/A	-	-	-	-	-	3,012,000
Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,991,569</u>

Concentration of Credit Risk

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk

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

Investments in State Investment Pool

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

3. NOTES RECEIVABLE

As of June 30, 2015, notes receivable of the General Fund consisted of the following:

Description	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Oak Street Bridge	\$ 19,921	\$ -	\$ (3,991)	\$ 15,930
SA to RDA Retirement Trust Fund	501,899	-	-	501,899
SA to LMI RDA Retirement Trust Fund	475,000	-	-	475,000
Total	<u>\$ 996,820</u>	<u>\$ -</u>	<u>\$ (3,991)</u>	<u>\$ 992,829</u>

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2015, the outstanding balance of the note was **\$475,000**.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

3. NOTES RECEIVABLE, Continued

On July 1, 1987, the City Council adopted Resolution No. 31-87 ordering “2% election” payments to the City each year by the former RDA as authorized by the H&S Code related to the Clayton Redevelopment Project. The 2% election payments to the City were designed to commence in the fiscal year ending June 30, 1989. During an examination of the former RDA’s remaining fiscal condition during calendar year 2009, it was discovered by the former RDA’s staff and its consultant, Seifel Consulting, Inc., that these payments had never been made to the City. Subsequent review by the County’s Auditor-Controller’s Office confirmed that the former RDA owed the City an accumulated total of \$501,689 in 2% election payments since 1987. The City recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. As of June 30, 2015, the balance due from the Successor Agency is **\$501,899**.

In fiscal year 1999, the General Fund provided \$48,310 in funding for a portion of the Oak Street Bridge project and recorded a note receivable from the Oak Street Bridge Assessment District. The note, which bears interest at 6%, is being paid off over 20 years. As of June 30, 2015, the outstanding balance due to the General Fund was **\$15,930**.

4. INTERFUND TRANSACTIONS

A. Due To, Due From

At June 30, 2015, the City had the following short-term interfund receivables and payables related to short-term cash flow borrowings from the General Fund:

DUE TO	DUE FROM		
	Non-major Governmental Funds	Endeavor Hall Fund	Total
General Fund	\$ 2,550	\$ 35,749	\$ 38,299
Total	\$ 2,550	\$ 35,749	\$ 38,299

B. Interfund Transfers

At June 30, 2015, the City had the following transfers:

TRANSFERS OUT	TRANSFERS IN				Total
	General Fund	Landscape Maint Fund	Capital Improvement Fund	Non-major Gov’tal Funds	
Landscape Maint. Fund	\$ 33,056	\$ -	\$ -	\$ 912	\$ 33,968
Capital Improvement Fund	-	259,704	-	-	259,704
Non-major Gov’tal Funds	69,018	-	148,975	-	217,993
Community Gym Fund	88,793	-	-	-	88,793
Total	\$190,867	\$259,704	\$ 148,975	\$ 912	\$600,458

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

4. INTERFUND TRANSACTIONS, Continued

B. Interfund Transfers (Continued)

The City transferred **\$102,074** into the General Fund from the following funds: Clayton Landscape Maintenance Fund (**\$33,056**) and Non-major Governmental Funds (**\$69,018**) to reimburse the City for administrative expenses. The Community Gym transferred its remaining balance of (**\$88,793**) into the General Fund upon its discontinuance and merger into the General Fund.

The City transferred **\$259,704** primarily to return residual funding for the Clayton Road Median Landscape Project (CIP No. 10430) completed in fiscal year 2012-13 from the Capital Improvement Fund to the Landscape Maintenance Fund. The City transferred **\$148,975** from Non-major Governmental Funds into the Capital Improvement Fund to cover capital improvement project deficits. The City also transferred **\$912** to Non-major governmental funds from the Clayton Landscape Maintenance Fund as a reimbursement for stormwater filing fees.

C. Note payable

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

This space intentionally left blank.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2015, the City's capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<i>Non depreciable Assets:</i>			
Land	\$ 2,086,965	\$ 167,738	\$ 2,254,703
Construction in progress	51,521	-	51,521
Total non depreciable assets	<u>2,138,486</u>	<u>167,738</u>	<u>2,306,224</u>
<i>Depreciable Assets:</i>			
Buildings	5,895,576	1,400,744	7,296,320
Improvements	6,108,657	151,004	6,259,661
Machinery and equipment	1,255,949	5,024	1,260,973
Infrastructure	29,388,794	-	29,388,794
Total depreciable assets	<u>42,648,976</u>	<u>1,556,772</u>	<u>44,205,748</u>
Total accumulated depreciation	<u>(16,133,947)</u>	<u>(473,829)</u>	<u>(16,607,776)</u>
Depreciable assets, net	<u>26,515,029</u>	<u>1,082,943</u>	<u>27,597,972</u>
Total governmental activities capital assets, net	\$ 28,653,515	\$ 1,250,681	\$ 29,904,196

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

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers & Adjustments</u>	<u>Balance June 30, 2015</u>
<i>Non depreciable Assets:</i>					
Land	\$ 2,086,965	\$ -	\$ -	\$ -	\$ 2,086,965
Construction in progress	1,400	50,121	-	-	51,521
Total non depreciable assets	<u>2,088,365</u>	<u>50,121</u>	<u>-</u>	<u>-</u>	<u>2,138,486</u>
<i>Depreciable Assets:</i>					
Buildings	5,895,576	-	-	-	5,895,576
Improvements	5,996,439	112,218	-	-	6,108,657
Machinery and equipment	1,216,355	63,224	(23,630)	-	1,255,949
Infrastructure	29,388,794	-	-	-	29,388,794
Total depreciable assets	<u>42,497,164</u>	<u>175,442</u>	<u>(23,630)</u>	<u>-</u>	<u>42,648,976</u>
Accumulated depreciation:					
Buildings	(2,250,384)	(117,750)	-	-	(2,368,134)
Improvements	(1,704,825)	(192,588)	-	-	(1,897,413)
Machinery and Equipment	(871,380)	(112,061)	23,630	-	(959,811)
Infrastructure	(10,414,503)	(494,086)	-	-	(10,908,589)
Total accumulated depreciation	<u>(15,241,092)</u>	<u>(916,485)</u>	<u>23,630</u>	<u>-</u>	<u>(16,133,947)</u>
Depreciable assets, net	<u>27,256,072</u>	<u>(741,043)</u>	<u>-</u>	<u>-</u>	<u>26,515,029</u>
Total governmental activities capital assets, net	\$ 29,344,437	\$ (690,922)	\$ -	\$ -	\$ 28,653,515

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

General government	\$	30,626
Public works		704,489
Public safety		69,309
Internal service		112,061
Total depreciation expense - governmental activities	\$	<u>916,485</u>

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<i>Non depreciable Assets:</i>				
Land	\$ 167,738	\$ -	\$ -	\$ 167,738
<i>Depreciable Assets:</i>				
Buildings	\$ 1,400,744	\$ -	\$ -	\$ 1,400,744
Improvements	151,004	-	-	151,004
Machinery & Equipment	5,024	-	-	5,024
Total depreciable assets	<u>1,556,772</u>	<u>-</u>	<u>-</u>	<u>1,556,772</u>
Accumulated Depreciation	(437,762)	(36,067)	-	(473,829)
Depreciable assets, net	<u>1,119,010</u>	<u>(36,067)</u>	<u>-</u>	<u>1,082,943</u>
Total business-type activities capital assets, net	<u>\$ 1,286,748</u>	<u>\$ (36,067)</u>	<u>\$ -</u>	<u>\$ 1,250,681</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2015, was as follows:

Endeavor hall	\$	<u>36,067</u>
Total depreciation expense	\$	<u>36,067</u>

B. Fund Financial Statements

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

6. COMPENSATED ABSENCES

Compensated absences include vacation and sick leave. It is the policy of the City to pay 100% of the capped accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action. The City recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the fiscal year ended June 30, 2015:

	Beginning Balance July 1, 2014	Additions (Deletions)	Ending Balance June 30, 2015
Compensated Absences	\$ <u>131,936</u>	\$ <u>21,998</u>	\$ <u>153,934</u>

7. NON-CITY OBLIGATIONS

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

Middle School Community Facilities District (CFD) Bonds in the principal amount of \$6,400,000 were issued on September 2, 1990 by the City under the Mello-Roos Community Facilities Act of 1982. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non-city obligations and are secured solely by special assessment revenue from CFD No. 1990-1. As of June 30, 2015, the outstanding balance of the non-city bond obligation was \$3,012,000.

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

Clayton Station Community Facilities District (CFD) Bonds in the principal amount of \$1,269,000 were issued on September 2, 2000 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured solely by special assessment revenue from CFD 1990-2. As of June 30, 2015, the outstanding balance of the non-city bond obligation was \$121,000.

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, 2015, the outstanding balance of the non-city bond obligation was \$173,325.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

7. NON-CITY OBLIGATIONS, Continued

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

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of \$5,060,000 to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 Local Obligations. As of June 30, 2015, the outstanding balance of the non-city bond obligation was \$2,880,000.

8. OTHER FUND DISCLOSURES

A. Expenditures over Appropriations

At June 30, 2015, the Oakhurst Geological Hazard Abatement District Fund, Clayton Development Impact Fees, and the Street Lighting Revenue Fund had expenditures in excess of appropriations of \$6,584; \$11,185; and \$4,498, respectively.

B. Deficit Fund Balances

At June 30, 2015, the funds below had the following deficit fund balance or net position:

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

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

The City's general liability premium payments to the MPA in the amount of \$57,833 for fiscal year 2014-2015 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, 2015.

Estimates of incurred, but not reported, liability claims are included in the City's claims estimates and based upon historical experiences as calculated by the MPA.

10. PENSION PLANS

A. General Information about the Pension Plan

Plan Descriptions – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the City's separate Public Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

10. PENSION PLANS, Continued

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

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	PEPRA**
Hire date	Before 7/1/2010	On or after 7/1/2010 but before 1/1/2013	On or after 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52
Monthly benefits, as % of eligible compensation	1.426% - 2.418%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	7.000% *	7.000%	6.250%
Required employer contribution rates	17.232%	8.005%	6.250%
	Public Safety		
	Tier I	Tier II	PEPRA**
Hire date	Before 7/1/2010	On or after 7/1/2010 but before 1/1/2013	On or after 1/1/2013
Benefit formula	3% @ 55	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	50
Monthly benefits, as % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9.000% *	9.000%	11.500%
Required employer contribution rates	39.158%	20.083%	11.500%

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

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

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

10. PENSION PLANS, Continued

For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate of annual pay, and the average employer's rate of annual payroll are below:

	Employer Contribution Rates	Employee Contribution Rates	Active Members
Miscellaneous Tier I	16.445	6.89	13
Miscellaneous Tier II	8.049	6.88	4
Miscellaneous PEPRA	6.250	6.308	2
Public Safety Tier I	38.16	8.980	7
Public Safety Tier II	19.90	8.922	1

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Employer	Employer-Paid Member Contributions (EMPC)	Total
Miscellaneous Tier I	228,048	47,917	275,965
Miscellaneous Tier II	7,351	-	7,351
Miscellaneous PEPRA	225	-	225
Public Safety Tier I	328,278	47,471	375,749
Public Safety Tier II	22,283	-	22,283
Public Safety PEPRA	19,906	-	19,906
	606,091	95,388	701,479

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The following table shows the Plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Miscellaneous		Public Safety	
	Proportionate Share of Net Pension Liability	%	Proportionate Share of Net Pension Liability	%
Balance at: 6/30/13 - Valuation date	\$ 1,858,207	.057%	\$ 2,649,112	.055%
Balance at: 6/30/14 - Measurement date	1,494,844	.060%	2,198,550	.059%
Total Net Pension Liability	\$ (363,363)	.045%	\$ (450,562)	.044%

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

10. PENSION PLANS, Continued

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2015, the City recognized pension expense of \$356,560 (Public Safety - \$213,080 and Miscellaneous - \$143,481) based on the measurement period ended June 30, 2014 for the Plan. At June 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 471,130	\$ -
Net differences between projected and actual earnings on pension plan investments	-	(805,928)
Adjustment due to differences in proportions	-	(39,544)
 Total	 \$ 471,130	 \$ (845,472)

\$471,130 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 (measurement period ended June 30, 2015). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2015	\$ (215,604)
2016	(215,604)
2017	(212,782)
2018	(201,482)
2019	-
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the fiscal 2014 measurement period.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability – For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were determined using the following actuarial methods and assumptions:

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

10. PENSION PLANS, Continued

	Miscellaneous		Public Safety
Valuation Date	June 30, 2013		June 30, 2013
Measurement Date	June 30, 2014		June 30, 2014
Actuarial Cost Method	Entry Age Normal		Entry Age Normal
Actuarial Assumptions:			
Discount Rate	7.50%		7.50%
Inflation	2.75%		2.75%
Payroll Growth	3.00%		3.00%
Projected Salary Increase	Depending on age, service, and type of employment		Depending on age, service, and type of employment
Investment Rate of return	7.5%	(1)	7.5%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds	(2)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter		Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter

- (1) Net of pension plan investment and administrative expenses; including inflation
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. The experience study can be found on the CalPERS website under Forms and Publications..

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

10. PENSION PLANS, Continued

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

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	.99%	2.43%
Inflation Sensitive	6.0%	.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

10. PENSION PLANS, Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	Miscellaneous	Public Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	2,380,276	3,368,095
Current Discount Rate	7.50%	7.50%
Net Pension Liability	1,494,844	2,198,550
1% Increase	8.50%	8.50%
Net Pension Liability	760,021	1,234,895

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$6,655 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

11. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description - The City of Clayton Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Clayton. The Program offers medical only (no dental) insurance benefits to eligible retirees and their families through the same self-insured program coverage to active City employees. In connection with this, the City has established a plan to provide post-employment benefits other than pensions as defined in section 7500-7514.5 of the California Public Employees' Retirement Law.

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

11. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with the potential for additional amounts to pre fund benefits as determined annually by the City Council. Currently the City pays the Public Employee's Medical and Capital Care Act (PEMHCA) minimum employer contribution which is \$103.70 per month as of June 30, 2015. For Fiscal Year 2015, there were six retired employees receiving retiree premium benefits. Retirees' contributions totaled \$24,902 (78% of the total) monthly contributions. The City contributed retiree premiums of \$7,160 (22% of the total) and there was no additional pre funding contribution.

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

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

Annual Required Contribution (ARC)	\$	45,457
Interest on net OPEB obligation		3,520
Adjustment to ARC		(5,250)
Annual OPEB Cost		43,727
Contributions made by the City		(7,160)
Contributions made by retirees		(24,902)
Total Contributions		(32,062)
Increase (decrease) in net OPEB obligation		11,665
Net OPEB obligation (asset) as of July 1, 2014		87,991
Net OPEB obligation (asset) as of June 30, 2015	\$	99,656

The City's annual OPEB cost was \$43,727 resulting in a net OPEB obligation of \$99,656. The fiscal year ended June 30, 2010 was the first year for which an actuarially determined ARC of \$50,667 was calculated for the City of Clayton Retired Employees Health Care Program. The total implied subsidies for the years ended June 30, 2015 and 2014 were \$32,062 and \$30,251, respectively.

Funded Status and Funding Progress- The City's actuarial Accrued Liability (AAL) and unfunded Actuarial Accrued Liability (UAAL) is \$428,065, which is 20% of the \$2,187,737 City payroll. There are no plan assets and as of June 30, 2015, since the OPEB trust has not yet been set up.

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

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

11. POST EMPLOYMENT HEALTH CARE BENEFITS, Continued

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

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

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES

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

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

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

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

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

Amongst numerous requirements, AB IX 26 requires the following:

- i. subject to the control of a newly established oversight board, assets of the former redevelopment agency must be disposed expeditiously and property tax revenue generated by a former redevelopment agency can only be used to pay enforceable obligations (i.e. debt obligations and other third party contractual obligations);

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

- ii. either the city or another unit of local government may agree to serve as the “Successor Agency” to hold the net position until they are distributed to units of state and local government;
- iii. successor agencies may transfer housing functions of the former redevelopment agency to the appropriate entity; and
- iv. any property tax revenue in excess of enforceable obligations is to be distributed by county auditor controllers to taxing entities, which includes the City, as surplus property tax.

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

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

- i. A process to transfer housing assets of the former redevelopment agency to the entity designated to receive these assets. In the case of the City, assets with a total value of \$14,057,320 and liabilities with a total value of \$10,999,595 were transferred to the Successor Agency from the former Redevelopment Agency.
- ii. Requirements that the Successor Agency must complete reviews (Due Diligence Reviews) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. The Due Diligence Reviews of the Clayton Successor Agency were finalized and approved by the Oversight Board on October 9, 2014 via Resolution No. 2014-04 and 2014-05. These reports concluded that payments of \$887,404 and \$3,791,725 are required to be remitted to Contra Costa County by the Redevelopment Successor Agency and Successor Housing Agency respectively.
- iii. Upon the California Department of Finance’s approval of the Due Diligence Reviews, and the distribution of unobligated funds, the Successor Agency can apply for a Finding of Completion. The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition by receiving the Finding of Completion, the City may establish loans between the City and the former Redevelopment Agency as enforceable obligations. As noted previously, as of the date of this report, the City’s Due Diligence Reviews had not been finalized.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

A. Successor Agency Assets and Liabilities

Cash and Investments

The total cash and investments balance of \$2,471,868 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB IX 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor Controller for distribution to taxing entities. See Note 4 for further information and disclosures regarding the City's pooled cash and investments.

Restricted Cash and Investments

\$274,095 represents cash and investments held by fiscal agents at June 30, 2015, which has been designated for debt service payments.

B. Loans To Other Funds

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

The former RDA provided assistance to special assessment districts within the City, to fund repairs and improvements. The High Street Permanent Road Division and Oak Street Sewer Assessment District received loans from the former RDA to finance necessary infrastructure improvements. These loans are secured by special assessment property tax levies within the District's boundaries. As of June 30, 2015, the outstanding balance of the loans due to the Successor Agency was \$139,384.

On September 21, 1999, the former RDA made a loan to the Professional Apartment Management, Inc. ("PAM") in the amount of \$750,000, at a non-interest bearing rate, to construct and develop an affordable senior assisted living center on the site known as "Diamond Terrace." The note is secured by the Deed of Trust. The former RDA loaned an additional \$1,286,000 on October 24, 2001. On December 1, 2003, PAM began drawing on a \$2,000,000 loan from the former RDA in the amount of \$200,000 annually. The principal balance is payable commencing on October 1, 2005 through October 1, 2030. As of June 30, 2015, the outstanding balance of the loan due to the Successor Agency was \$3,397,000.

On October 13, 1992, the former RDA made a loan to the Peace Grove, Inc. in the amount of \$567,000, at a non-interest bearing rate, for the purchase of land for a redevelopment and housing project for low-income mental health system clients. The loan is secured by the Deed of Trust. The principal balance is payable on December 18, 2052. As of June 30, 2015, the outstanding balance of the loan due to the Successor Agency was \$567,000.

The former RDA participated in a second mortgage assistance program, whereby qualified applicants are loaned money for a "silent second" down payment to purchase a home in the Stranahan Development within the City. There are seven individual loans outstanding. As of June 30, 2015, the outstanding balance of the loans due to the Successor Agency was \$156,800.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

C. Due To the City Of Clayton

On June 17, 1999, the former RDA purchased a parcel of land for \$475,000, from the City. In exchange for the parcel of land the former RDA issued a note in the amount of \$475,000 to the City. The principal amount is payable by the Successor Agency on or before January 1, 2023. As of June 30, 2015, the outstanding balance of the note was \$475,000.

On February 16, 2010, the former RDA recognized a debt incurred from 1987 through 2009 which was owed to the City in the amount of \$501,899. The debt resulted from the former RDA omitting payment to the City of an annual 2% election payment for twenty-one fiscal years. The City recognized this note receivable and the former RDA agreed to pay back this note in four annual installments of \$125,475. As of June 30, 2015, the balance due from the Successor Agency is \$501,899.

D. Advance From LMI Fund

On May 10, 2011, the former Redevelopment Agency received a loan from the Low to Moderate Income Housing Fund in the amount of \$592,412 to partially cover a demand from the California Department of Finance (DOF) for property tax revenues to K-12 schools during the 2011-12 fiscal year via the Supplemental Educational Revenue Augmentation Funds (SERAF). The loan balance is currently being reported on the required obligation payment schedules (ROPS) as an enforceable obligation to be repaid upon the "Successor Agency's" receipt of a notice of completion.

E. Long-Term Debt

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

	Balance June 30, 2014	Additions/ (Deletions)	Balance June 30, 2015	Due within One Year	Due in more than One Year
2014 Refunding Tax Allocation Bonds	\$ 3,790,000	\$ -	\$ 3,790,000	\$ 325,000	\$ 3,465,000
Total	\$ 3,790,000	\$ -	\$ 3,790,000	\$ 325,000	\$ 3,465,000

2014 Refunding Tax Allocation Bonds

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

The 2014 refunding was exercised in order to take advantage of more favorable interest rates. The refunding decreased the City's total debt service payments by approximately \$601,895. The transaction resulted in economic gain (difference between present value of the debt service on the old and new bonds) of approximately \$580,184.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

12. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued

The annual debt service requirements to amortize the Successor Agency’s 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 325,000	\$ 83,433	\$ 408,433
2017	330,000	75,900	405,900
2018	395,000	67,563	462,563
2019	400,000	58,420	458,420
2020	415,000	49,048	464,048
2021-2025	1,925,000	109,766	2,034,766
Total	<u>\$ 3,790,000</u>	<u>\$ 444,130</u>	<u>\$ 4,234,130</u>

13. CONTINGENCIES

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

Pursuant to California Health and Safety Code section 34167.5, the California State Controller’s Office (SCO) conducted a review of all asset transfers made by the former City of Clayton Redevelopment Agency (RDA) to the City after January 1, 2011. The SCO issued their final Asset Transfer Review Report on December 23, 2014, concluding a total of \$200,000 in previously transferred assets is required to be remitted from the City of Clayton to the Successor Agency.

On March 13, 2015 the Oversight Board to the Clayton Successor Agency adopted Resolutions 03-2015 and 04-2015 approving the Due Diligence Review (DDR) reports of the former Low and Moderate Income (LMI) Housing Fund AND All Other Funds of the former RDA to remit payments of \$3,679,225 in LMI and \$550,396 in non-housing former RDA funds to the Contra Costa County Auditor-Controller for distribution to the affected taxing entities. On March 19, 2015 the City submitted the Successor Agency Oversight Board-authorized AB 1484 DDR reports for the former RDA’s housing and non-housing funds to the California Department of Finance (DOF). On April 24, 2015, the City received the Final Determination Letter from the DOF, which approved the Low-Moderate Income (LMI) Housing Funds DDR report “as is” and ordered the release of the “unencumbered” balance of housing funds to the County totaling \$3,679,225 within 5 business days. Of this balance, \$62,500 pertained to the amount ordered to be repaid from the General Fund to the Successor Housing Agency. In accordance with the demand letter and as no modifications were noted, the City remitted this payment to the Contra Costa County Auditor-Controller’s Office on May 1, 2015.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

13. CONTINGENCIES, Continued

An extraordinary loss of \$200,000, equal to the amount reported in the SCO Asset Transfer Review Report, is reported in the General Fund for the year ended June 30, 2015. Of this extraordinary loss, \$137,500 pertains to an accrued loss from the General Fund to the Successor Agency for non-housing former RDA asset transfers. As the DOF's determination letter dated October 28, 2015, the All Other Funds DDR is still being contested pursuant to the DOF's administrative Meet and Confer process as of the date of this report, \$137,500 is considered to be the most probable loss as this amount is both known and not being contested by the City.

14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$4,182,306 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

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

Net position at July 1, 2014, as previously stated	\$ 39,121,684
Net pension liability adjustment	<u>(4,182,306)</u>
Net position at July 1, 2014, as restated	<u>\$ 34,939,378</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2015, the date on which the financial statements were available to be issued.

This City of Clayton received a determination letter from the California Department of Finance (the "DOF") on October 28, 2015 summarizing the results of the state's review of the City's All Other Funds due diligence review (the "DDR") pursuant to AB 1484. Pursuant to the letter, the DOF ordered adjustments to the DDR increasing the obligation owed from the Successor Agency to Contra Costa County by \$705,983 to a revised total of \$1,256,379. The adjustments to the DDR report outlined in the letter, if enforceable, would also result in an increase to the General Fund's obligation to the Successor Agency for the All Other Funds DDR by \$230,983 to a revised total of \$368,483. As of the year ended June 30, 2015, the extraordinary loss reported in the General Fund reflects, in part, the amount reported in the final in the All Other Funds DDR approved by the Successor Agency Oversight Board on March 6, 2015, or \$137,500. Management of the City disagrees with certain conclusions reached by the DOF in the letter and intends to file a Meet and Confer pursuant to AB 1484 to dispute some of the findings. The final obligation owed from the Successor Agency to Contra Costa County will be determinable after the Meet and Confer and, if necessary, all legal options of the Successor Agency and City have been exhausted. It is expected the final payment will be remitted sometime in the next fiscal year ending June 30, 2016 although the final amount is indeterminable at this time.

City of Clayton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2015

16. FUND BALANCES

In the governmental funds, the segregate portions of fund balances are presented as follows for the fiscal year ended June 30, 2015:

Fund Balance Classifications	General Fund	Landscape Maintenance	Capital Improvement	Non-major funds	Total
Non-spendable:					
Notes receivable	\$ 1,015,198	\$ -	\$ -	\$ -	\$ 1,015,198
Prepaid expenses	14,179	-	-	-	14,179
Total Non-spendable Fund Balance	<u>1,029,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,029,377</u>
Restricted for:					
Transportation	-	-	-	33,164	33,164
Stormwater unfunded mandates	-	-	-	65,651	65,651
Streetlighting	-	-	-	125,957	125,957
Landscaping	-	528,078	-	-	528,078
Parks	-	-	-	228,381	228,381
Grant funded programs	-	-	-	292,676	292,676
Hazard prevention and repair	-	-	-	29,174	29,174
Total Restricted Fund Balance	<u>-</u>	<u>528,078</u>	<u>-</u>	<u>775,003</u>	<u>1,303,081</u>
Committed for:					
Geological hazard prevention and repair	-	-	-	120,583	120,583
Development impact	-	-	-	600,529	600,529
Total Committed Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>721,112</u>	<u>721,112</u>
Assigned for:					
FY 2014-15 budget	-	288,124	-	1,012,923	1,301,047
Capital projects	-	-	2,008,088	-	2,008,088
Total Assigned Fund Balance	<u>-</u>	<u>288,124</u>	<u>2,008,088</u>	<u>1,012,923</u>	<u>3,309,135</u>
Unassigned	<u>4,509,255</u>	<u>-</u>	<u>-</u>	<u>(2,550)</u>	<u>4,506,705</u>
Total Fund Balance	<u>\$ 5,538,632</u>	<u>\$ 816,202</u>	<u>\$ 2,008,088</u>	<u>\$ 2,506,488</u>	<u>\$ 10,869,410</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Clayton
Required Supplementary Information
June 30, 2015

1. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

2. BUDGETARY PRINCIPLES

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

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

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

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
Required Supplementary Information
Pension Plans – Last 10 Years*
June 30, 2015

Schedule of the City's Proportionate Share of Net Pension Liability

	Miscellaneous Tier I 6/30/14	Miscellaneous Tier II 6/30/14	Miscellaneous PEPRA 6/30/14
Plan's Proportion of the Net Pension Liability/(Asset)	0.024%	0.00002%	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,493,574	\$ 1,190	\$80
Plan's Covered-Employee Payroll	\$ 923,757	\$ 166,035	\$43,276
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	161.68%	.72%	.18%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.60%	83.02%	83.01%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 139,893	\$ 157	\$11
		Public Safety Tier I 6/30/14¹	Public Safety Tier II 6/30/14
Plan's Proportion of the Net Pension Liability/(Asset)		0.03524%	0.00010%
Plan's Proportionate Share of the Net Pension Liability/(Asset)		\$2,192,623	\$5,927
Plan's Covered-Employee Payroll ²		\$651,853	\$178,133
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll		336.37%	3.33%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		74.80%	81.42%
Plan's Proportionate Share of Aggregate Employer Contributions ^{3,4}		\$184,217	\$735

* Amounts presented above are for the only year available for the fiscal year ended June 30, 2015. Additional years will be presented as they become available.

¹ Historical information is required only for measurement periods for which GASB 68 is applicable

² Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

City of Clayton
Required Supplementary Information
Pension Plans – Last 10 Years*
June 30, 2015

Schedule of the City's Contributions⁵

	Miscellaneous Tier I 6/30/14	Miscellaneous Tier II 6/30/14	Miscellaneous PEPRA 6/30/14
Actuarially determined contribution ²	123,783	15,920	5,453
Contributions in Relation to the Actuarially Determined Contribution ²	(123,783)	(15,920)	(5,453)
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>
Covered-Employee Payroll ^{3,4}	\$923,757	\$166,035	\$43,276
Contributions as a Percentage of Covered- Employee Payroll	13.40%	9.59%	12.60%
		Public Safety Tier I 6/30/14	Public Safety Tier II 6/30/14
Actuarially determined contribution ⁶		233,706	32,963
Contributions in Relation to the Actuarially Determined Contribution ²		(233,706)	(32,963)
Contribution Deficiency (Excess)		<u>-</u>	<u>-</u>
Covered-Employee Payroll ^{7,8}		\$651,853	\$178,133
Contributions as a Percentage of Covered- Employee Payroll		35.85%	18.50%

*Amounts presented above are for the only year available for the fiscal year ended June 30, 2015. Additional years will be presented as they become available.

⁵ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

⁶ Employers are assumed to make contributions equal to the actuarially determined contributions.

⁷ Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

⁸ Payroll from prior year (\$896,851 miscellaneous and \$632,632 public safety) was assumed to increase by the 3.0 % payroll growth assumption.

City of Clayton
Required Supplementary Information
Other Postemployment Benefit Plan – Schedule of Funding Progress
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
6/30/2010	-	\$ 400,257	\$ 400,257	0.0%	\$2,063,079	19%
6/30/2013	-	428,065	428,065	0.0%	1,934,929	22%

This page intentionally left blank.

MAJOR FUNDS

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2015

	Adopted Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,917,190	\$ 1,917,190	\$ 2,302,278	\$ 385,088
Program income	10,710	10,710	10,063	(647)
Sales tax	358,420	358,420	397,544	39,124
Permits, licenses and fees	239,127	239,127	264,764	25,637
Fines, forfeitures and penalties	72,710	72,710	72,635	(75)
From other agencies	80,430	80,430	107,724	27,294
Motor vehicle in-lieu fees	4,700	4,700	4,590	(110)
Other in-lieu fees	151,816	151,816	151,816	-
Franchise fees	522,500	522,500	501,597	(20,903)
Service charges	363,585	363,585	366,080	2,495
Use of money and property	37,600	37,600	39,186	1,586
Other revenue	<u>18,700</u>	<u>18,700</u>	<u>22,574</u>	<u>3,874</u>
TOTAL REVENUES	<u>3,777,488</u>	<u>3,777,488</u>	<u>4,240,851</u>	<u>463,363</u>
EXPENDITURES				
General government	982,363	982,363	1,018,852	(36,489)
Public works	180,885	180,885	167,282	13,603
Parks and recreation services	409,855	409,855	349,862	59,993
Community and economic development	372,314	372,314	379,348	(7,034)
Public safety	<u>1,906,858</u>	<u>1,906,858</u>	<u>1,926,479</u>	<u>(19,621)</u>
TOTAL EXPENDITURES	<u>3,852,275</u>	<u>3,852,275</u>	<u>3,841,823</u>	<u>10,452</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(74,787)</u>	<u>(74,787)</u>	<u>399,028</u>	<u>473,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	102,073	102,073	190,867	88,794
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>102,073</u>	<u>102,073</u>	<u>190,867</u>	<u>88,794</u>
Net Change	<u>\$ 27,286</u>	<u>\$ 27,286</u>	589,895	<u>\$ 562,609</u>
Extraordinary gain (loss) on RDA settlement			(200,000)	
Change in fund balances			389,895	
FUND BALANCES:				
Beginning of year			<u>5,148,737</u>	
End of year			<u>\$ 5,538,632</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Capital Improvements Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES			
From other agencies	\$ 385,000	\$ -	\$ (385,000)
Use of money and property	-	16,929	16,929
Other revenue	<u>18,270</u>	<u>1,557</u>	<u>(16,713)</u>
TOTAL REVENUES	<u>403,270</u>	<u>18,486</u>	<u>(384,784)</u>
EXPENDITURES			
Capital outlay	<u>1,170,041</u>	<u>62,639</u>	<u>1,107,402</u>
TOTAL EXPENDITURES	<u>1,170,041</u>	<u>62,639</u>	<u>1,107,402</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(766,771)</u>	<u>(44,153)</u>	<u>722,618</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	837,231	148,975	(688,256)
Transfers out	<u>-</u>	<u>(259,705)</u>	<u>(259,705)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>837,231</u>	<u>(110,730)</u>	<u>(947,961)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 70,460</u>	(154,883)	<u>\$ (225,343)</u>
FUND BALANCES:			
Beginning of year		<u>2,162,971</u>	
End of year		<u>\$ 2,008,088</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Clayton Landscape Maintenance Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special Assessments	\$ 1,005,224	\$ 1,005,309	\$ 85
Use of money and property	4,000	6,504	2,504
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,009,224</u>	<u>1,011,813</u>	<u>2,589</u>
EXPENDITURES			
Public works	843,789	719,921	123,868
Capital outlay	<u>207,000</u>	<u>41,588</u>	<u>165,412</u>
TOTAL EXPENDITURES	<u>1,050,789</u>	<u>761,509</u>	<u>289,280</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(41,565)</u>	<u>250,304</u>	<u>291,869</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	259,704	259,704
Transfers out	<u>(33,968)</u>	<u>(33,968)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33,968)</u>	<u>225,736</u>	<u>259,704</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (75,533)</u>	476,040	<u>\$ 551,573</u>
FUND BALANCES:			
Beginning of year		<u>340,162</u>	
End of year		<u>\$ 816,202</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 non-major special revenue funds are:

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds:

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

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

This page intentionally left blank.

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
For the fiscal year ended June 30, 2015

	Special Revenue				
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement	Oakhurst Geological Hazard Abatement District
ASSETS					
Cash and investments	\$ 153,692	\$ -	\$ 143,920	\$ 120,583	\$ 30,381
Accounts receivable	-	-	14,235	-	-
TOTAL ASSETS	<u>\$ 153,692</u>	<u>\$ -</u>	<u>\$ 158,155</u>	<u>\$ 120,583</u>	<u>\$ 30,381</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 15,700	\$ -	\$ 3,500	\$ -	\$ 1,184
Other payables	-	-	815	-	-
Due to other funds	-	2,550	-	-	-
Advance from other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>15,700</u>	<u>2,550</u>	<u>4,315</u>	<u>-</u>	<u>1,184</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred billings	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Restricted	125,957	-	65,651	-	29,173
Committed	-	-	-	120,583	-
Assigned	12,035	-	88,189	-	24
Unassigned	-	(2,550)	-	-	-
TOTAL FUND BALANCE	<u>137,992</u>	<u>(2,550)</u>	<u>153,840</u>	<u>120,583</u>	<u>29,197</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 153,692</u>	<u>\$ -</u>	<u>\$ 158,155</u>	<u>\$ 120,583</u>	<u>\$ 30,381</u>

City of Clayton
Combining Balance Sheets
Non-Major Governmental Funds
For the fiscal year ended June 30, 2015

Special Revenue					
Measure J Fund	Grants	Clayton Development Impact Fees	Gas Tax	Downtown Park CFD	Total Other Governmental Funds
\$ 190,216	\$ 334,845	\$ 603,109	\$ 407,488	\$ 244,270	\$ 2,228,504
<u>267,309</u>	<u>14,791</u>	<u>-</u>	<u>31,610</u>	<u>20,000</u>	<u>347,945</u>
<u>\$ 457,525</u>	<u>\$ 349,636</u>	<u>\$ 603,109</u>	<u>\$ 439,098</u>	<u>\$ 264,270</u>	<u>\$ 2,576,449</u>
\$ -	\$ 1,245	\$ -	\$ 10,449	\$ 9,535	\$ 41,613
-	1,701	-	-	702	3,218
-	-	-	-	-	2,550
<u>-</u>	<u>-</u>	<u>2,580</u>	<u>-</u>	<u>-</u>	<u>2,580</u>
<u>-</u>	<u>2,946</u>	<u>2,580</u>	<u>10,449</u>	<u>10,237</u>	<u>49,961</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
-	292,677	-	33,164	228,381	775,003
-	-	600,529	-	-	721,112
457,525	54,013	-	395,485	5,652	1,012,923
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,550)</u>
<u>457,525</u>	<u>346,690</u>	<u>600,529</u>	<u>428,649</u>	<u>234,033</u>	<u>2,506,488</u>
<u>\$ 457,525</u>	<u>\$ 349,636</u>	<u>\$ 603,109</u>	<u>\$ 439,098</u>	<u>\$ 264,270</u>	<u>\$ 2,576,449</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, 2015

	Special Revenue				
	Street Lighting	Stormwater Treatment District Assessment Fund	Stormwater Assessment	Presley Settlement	Oakhurst Geological Hazard Abatement District
REVENUES					
Special assessments	\$ 125,991	\$ -	\$ 90,195	\$ -	\$ 36,523
Permits, licenses and fees	-	-	40,644	-	-
Intergovernmental	-	-	-	-	-
Use of money and property	1,215	-	1,076	1,025	196
Other revenue	-	-	-	-	-
TOTAL REVENUES	<u>127,206</u>	<u>-</u>	<u>131,915</u>	<u>1,025</u>	<u>36,719</u>
EXPENDITURES					
Current					
Public works	128,694	-	123,325	-	-
Community and economic development	-	-	-	-	20,439
Public safety	-	-	-	-	-
Capital Outlay	-	-	-	-	18,315
TOTAL EXPENDITURES	<u>128,694</u>	<u>-</u>	<u>123,325</u>	<u>-</u>	<u>38,754</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,488)</u>	<u>-</u>	<u>8,590</u>	<u>1,025</u>	<u>(2,035)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	912	-	-
Transfers out	(10,568)	-	(34,112)	-	(6,635)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,568)</u>	<u>-</u>	<u>(33,200)</u>	<u>-</u>	<u>(6,635)</u>
NET CHANGE IN FUND BALANCE	(12,056)	-	(24,610)	1,025	(8,670)
FUND BALANCES					
Beginning of year	<u>150,048</u>	<u>(2,550)</u>	<u>178,450</u>	<u>119,558</u>	<u>37,867</u>
End of year	<u>\$ 137,992</u>	<u>\$ (2,550)</u>	<u>\$ 153,840</u>	<u>\$ 120,583</u>	<u>\$ 29,197</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, 2015

Special Revenue					
Measure J Fund	Grants	Clayton Development Impact Fees	Gas Tax	Downtown Park CFD	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 29,730	\$ -	\$ 282,439
-	-	-	-	1,137	41,781
361,586	157,397	-	319,948	120,102	959,033
1,892	2,725	5,187	3,214	2,259	18,789
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>
<u>363,478</u>	<u>160,122</u>	<u>5,187</u>	<u>352,892</u>	<u>190,498</u>	<u>1,369,042</u>
750	-	-	90,747	111,654	455,170
-	-	11,185	-	-	31,624
-	79,128	-	-	-	79,128
<u>-</u>	<u>24,798</u>	<u>-</u>	<u>-</u>	<u>113,555</u>	<u>156,668</u>
<u>750</u>	<u>103,926</u>	<u>11,185</u>	<u>90,747</u>	<u>225,209</u>	<u>722,590</u>
<u>362,728</u>	<u>56,196</u>	<u>(5,998)</u>	<u>262,145</u>	<u>(34,711)</u>	<u>646,452</u>
-	-	-	-	-	912
<u>(4,112)</u>	<u>-</u>	<u>(103,336)</u>	<u>(52,513)</u>	<u>(6,716)</u>	<u>(217,992)</u>
<u>(4,112)</u>	<u>-</u>	<u>(103,336)</u>	<u>(52,513)</u>	<u>(6,716)</u>	<u>(217,080)</u>
358,616	56,196	(109,334)	209,632	(41,427)	429,372
<u>98,909</u>	<u>290,494</u>	<u>709,863</u>	<u>219,017</u>	<u>275,460</u>	<u>2,077,116</u>
<u>\$ 457,525</u>	<u>\$ 346,690</u>	<u>\$ 600,529</u>	<u>\$ 428,649</u>	<u>\$ 234,033</u>	<u>\$ 2,506,488</u>

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Street Lighting Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 125,991	\$125,991	\$ -
Use of money and property	<u>1,880</u>	<u>1,215</u>	<u>(665)</u>
TOTAL REVENUES	<u>127,871</u>	<u>127,206</u>	<u>(665)</u>
EXPENDITURES			
Current:			
Public works	<u>124,196</u>	<u>128,694</u>	<u>(4,498)</u>
TOTAL EXPENDITURES	<u>124,196</u>	<u>128,694</u>	<u>(4,498)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,675</u>	<u>(1,488)</u>	<u>(5,163)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(10,568)</u>	<u>(10,568)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,568)</u>	<u>(10,568)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (6,893)</u>	(12,056)	<u>\$ (5,163)</u>
FUND BALANCES:			
Beginning of year		<u>150,048</u>	
End of year		<u>\$137,992</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Stormwater Assessment Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 82,973	\$ 90,195	\$ 7,222
Permits, licenses and fees	40,436	40,644	208
Intergovernmental	456	-	(456)
Use of money and property	<u>1,300</u>	<u>1,076</u>	<u>(224)</u>
TOTAL REVENUES	<u>125,165</u>	<u>131,915</u>	<u>6,750</u>
EXPENDITURES			
Current:			
Public works	160,919	123,325	37,594
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>160,919</u>	<u>123,325</u>	<u>37,594</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(35,754)</u>	<u>8,590</u>	<u>44,344</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	912	912	-
Transfers out	<u>(34,112)</u>	<u>(34,112)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33,200)</u>	<u>(33,200)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (68,954)</u>	<u>(24,610)</u>	<u>\$ 44,344</u>
FUND BALANCES:			
Beginning of year		<u>178,450</u>	
End of year		<u>\$153,840</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Presley Settlement Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Use of money and property	\$ <u>1,360</u>	\$ <u>1,025</u>	\$ <u>(335)</u>
TOTAL REVENUES	<u>1,360</u>	<u>1,025</u>	<u>(335)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,360</u>	1,025	<u>\$ (335)</u>
FUND BALANCES:			
Beginning of year		<u>119,558</u>	
End of year		<u>\$ 120,583</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Oakhurst Geological Hazard Abatement District Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 36,509	\$ 36,523	\$ 14
Use of money and property	400	196	(204)
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>36,909</u>	<u>36,719</u>	<u>(190)</u>
EXPENDITURES			
Current:			
Community and economic development	20,470	20,439	31
Capital Outlay	<u>11,700</u>	<u>18,315</u>	<u>(6,615)</u>
TOTAL EXPENDITURES	<u>32,170</u>	<u>38,754</u>	<u>(6,584)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,739</u>	<u>(2,035)</u>	<u>(6,774)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(6,635)</u>	<u>(6,635)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,635)</u>	<u>(6,635)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,896)</u>	<u>(8,670)</u>	<u>\$ (6,774)</u>
FUND BALANCES:			
Beginning of year		<u>37,867</u>	
End of year		<u>\$ 29,197</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Measure J Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
From other agencies	\$ 235,723	\$ 361,586	\$ 125,863
Use of money and property	<u>500</u>	<u>1,892</u>	<u>1,392</u>
TOTAL REVENUES	<u>236,223</u>	<u>363,478</u>	<u>127,255</u>
EXPENDITURES			
Current:			
Public works	<u>1,000</u>	<u>750</u>	<u>250</u>
TOTAL EXPENDITURES	<u>1,000</u>	<u>750</u>	<u>250</u>
REVENUES OVER (UNDER) EXPENDITURES	235,223	362,728	127,505
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(381,264)</u>	<u>(4,112)</u>	<u>377,152</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(381,264)</u>	<u>(4,112)</u>	<u>377,152</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (146,041)</u>	358,616	<u>\$ 504,657</u>
FUND BALANCES:			
Beginning of year		<u>98,909</u>	
End of year		<u>\$ 457,525</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Grants Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 141,325	\$ 157,397	\$ 16,072
Use of money and property	2,480	2,725	245
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>143,805</u>	<u>160,122</u>	<u>16,317</u>
EXPENDITURES			
Current:			
Public safety	103,860	79,128	24,732
Capital outlay	<u>33,462</u>	<u>24,798</u>	<u>8,664</u>
TOTAL EXPENDITURES	<u>137,322</u>	<u>103,926</u>	<u>33,396</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 6,483</u>	56,196	<u>\$ 49,713</u>
FUND BALANCES:			
Beginning of year		<u>290,494</u>	
End of year		<u>\$ 346,690</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Clayton Development Impact Fees
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Use of money and property	\$ 8,700	\$ 5,187	\$ (3,513)
TOTAL REVENUES	<u>8,700</u>	<u>5,187</u>	<u>(3,513)</u>
EXPENDITURES			
Community and economic development	<u>-</u>	<u>11,185</u>	<u>(11,185)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>11,185</u>	<u>(11,185)</u>
REVENUES OVER (UNDER) EXPENDITURES	8,700	(5,998)	(14,698)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(59,297)</u>	<u>(103,336)</u>	<u>(44,039)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(59,297)</u>	<u>(103,336)</u>	<u>(44,039)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (50,597)</u>	(109,334)	<u>\$ (58,737)</u>
FUND BALANCES:			
Beginning of year		<u>709,863</u>	
End of year		<u>\$ 600,529</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 26,500	\$ 29,730	\$ 3,230
From other agencies	292,821	319,948	27,127
Use of money and property	<u>600</u>	<u>3,214</u>	<u>2,614</u>
TOTAL REVENUES	<u>319,921</u>	<u>352,892</u>	<u>32,971</u>
EXPENDITURES			
Current:			
Public works	<u>99,706</u>	<u>90,747</u>	<u>8,959</u>
TOTAL EXPENDITURES	<u>99,706</u>	<u>90,747</u>	<u>8,959</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>220,215</u>	<u>262,145</u>	<u>41,930</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(408,726)</u>	<u>(52,513)</u>	<u>356,213</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(408,726)</u>	<u>(52,513)</u>	<u>356,213</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$(188,511)</u>	209,632	<u>\$ 398,143</u>
FUND BALANCES:			
Beginning of year		<u>219,017</u>	
End of year		<u>\$ 428,649</u>	

City of Clayton
Required Supplementary Information
Budgetary Comparison Schedule
Downtown Park CFD Special Revenue Fund
For the fiscal year ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance from Final Budget Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 120,106	\$ -	\$ (120,106)
From other agencies	-	120,102	120,102
Permits, licenses and fees	-	1,137	1,137
Use of money and property	3,400	2,259	(1,141)
Other revenue	<u>55,000</u>	<u>67,000</u>	<u>12,000</u>
TOTAL REVENUES	<u>178,506</u>	<u>190,498</u>	<u>11,992</u>
EXPENDITURES			
Current:			
Public works	-	111,654	(111,654)
Parks and recreation services	111,857	-	111,857
Capital outlay	<u>107,607</u>	<u>113,555</u>	<u>(5,948)</u>
TOTAL EXPENDITURES	<u>219,464</u>	<u>225,209</u>	<u>(5,745)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(40,958)</u>	<u>(34,711)</u>	<u>6,247</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(6,716)</u>	<u>(6,716)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,716)</u>	<u>(6,716)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (47,674)</u>	(41,427)	<u>\$ 6,247</u>
FUND BALANCES:			
Beginning of year		<u>275,460</u>	
End of year		<u>\$234,033</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, 2015**

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 121,058	\$ 59,592	\$180,650
Noncurrent Assets:			
Depreciable assets, net	<u>296,137</u>	<u>-</u>	<u>296,137</u>
TOTAL ASSETS	<u>417,195</u>	<u>59,592</u>	<u>476,787</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Invested in capital assets, net of related debt	296,137	-	296,137
Unrestricted	<u>121,058</u>	<u>59,592</u>	<u>180,650</u>
TOTAL NET POSITION	<u>\$ 417,195</u>	<u>\$ 59,592</u>	<u>\$476,787</u>

City of Clayton
Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2015

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
OPERATING REVENUES			
Charges for current services	\$ 56,672	\$ -	\$ 56,672
Other operating income	<u>100</u>	<u>-</u>	<u>100</u>
TOTAL OPERATING REVENUES	<u>56,772</u>	<u>-</u>	<u>56,772</u>
OPERATING EXPENSES			
General and administrative	1,509	15,735	17,244
Depreciation and amortization	<u>112,061</u>	<u>-</u>	<u>112,061</u>
TOTAL OPERATING EXPENSES	<u>113,570</u>	<u>15,735</u>	<u>129,305</u>
OPERATING INCOME (LOSS)	(56,798)	(15,735)	(72,533)
NONOPERATING REVENUES (EXPENSES)			
Gain on disposal of assets	624	-	624
Investment income (loss)	<u>1,016</u>	<u>485</u>	<u>1,501</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,640</u>	<u>485</u>	<u>2,125</u>
CHANGE IN NET POSITION	(55,158)	(15,250)	(70,408)
Beginning of fiscal year	<u>472,353</u>	<u>74,842</u>	<u>547,195</u>
End of fiscal year	<u>\$ 417,195</u>	<u>\$ 59,592</u>	<u>\$ 476,787</u>

City of Clayton
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2015

	<u>Capital Replacement</u>	<u>Self-Insurance Liability</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipt from customers/otherfunds	56,772	-	56,772
Cash payment to suppliers for good and services	<u>(1,509)</u>	<u>(15,777)</u>	<u>(17,286)</u>
Net cash provided (used) by operating activities	<u>55,263</u>	<u>(15,777)</u>	<u>39,486</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	<u>(63,223)</u>	-	<u>(63,223)</u>
Net cash provided (used) by capital and related financing activities	<u>(63,223)</u>	-	<u>(63,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	1,016	485	1,501
Gain on sale of assets	<u>624</u>	-	<u>624</u>
Net Cash provided (used) by investing activities	<u>1,640</u>	<u>485</u>	<u>2,125</u>
Net increase (decrease) in cash and cash equivalents	(6,320)	(15,292)	(21,612)
CASH AND CASH EQUIVALENTS:			
Beginning of fiscal year	<u>127,378</u>	<u>74,884</u>	<u>202,262</u>
End of fiscal year	<u>\$ 121,058</u>	<u>\$ 59,592</u>	<u>\$ 180,650</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(56,798)	(15,735)	(72,533)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	112,061	-	112,061
Changes in current assets and liabilities:			
Accounts payable	<u>-</u>	<u>(42)</u>	<u>(42)</u>
Total Adjustments	<u>112,061</u>	<u>(42)</u>	<u>112,019</u>
Net cash provided (used) by operating activities	<u>\$ 55,263</u>	<u>\$ (15,777)</u>	<u>\$ 39,486</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

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

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

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

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

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

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

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

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

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

City of Clayton
Combining Statement of Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015

	<u>Deposits</u>	<u>Clayton Financing Authority</u>	<u>Middle School CFD</u>	<u>Clayton Station CFD</u>	<u>High Street Bridge</u>	<u>Oak Street Bridge</u>
Assets:						
Cash and investments	\$ 769,423	\$ 699,488	\$ 417,351	\$ 129,479	\$ 4,884	\$ 20,880
Cash with fiscal agent	-	-	-	-	-	-
Investments held in trust	-	-	-	-	-	-
Assessments receivable	-	-	3,012,000	121,000	20,275	15,931
Interest receivable	-	-	-	-	-	-
Investment in bonds	-	-	-	-	-	-
	<u>\$ 769,423</u>	<u>\$ 699,488</u>	<u>\$ 3,429,351</u>	<u>\$ 250,479</u>	<u>\$ 25,159</u>	<u>\$ 36,811</u>
Liabilities:						
Accounts payable	\$ 2,849	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	-	699,488	417,351	129,479	4,884	20,880
Other deposits	766,574	-	-	-	-	-
Benefit plan obligations	-	-	-	-	-	-
Notes payable	-	-	-	-	20,275	15,931
Local obligations payable	-	-	3,012,000	-	-	-
Due to bondholders	-	-	-	121,000	-	-
Total liabilities	<u>\$ 769,423</u>	<u>\$ 699,488</u>	<u>\$ 3,429,351</u>	<u>\$ 250,479</u>	<u>\$ 25,159</u>	<u>\$ 36,811</u>

City of Clayton
Combining Statement of Assets and Liabilities, Continued
Agency Funds
For the Fiscal Year Ended June 30, 2015

Lydia Lane Sewer Assessment	Oak Street Sewer Assessment	CFA- Clayton Financing Authority 2007	Diablo Estates Benefit District	Total	June 30, 2014
\$ 73,274	\$ 3,787	\$ 118,212	\$ 71,864	\$ 2,308,642	\$ 2,359,454
12,804	-	458,732	-	471,536	468,827
-	-	-	-	-	1,518,019
173,325	119,109	-	-	3,461,640	3,891,611
-	-	38,000	-	38,000	-
-	-	<u>3,012,000</u>	-	<u>3,012,000</u>	<u>3,293,000</u>
<u>\$ 259,403</u>	<u>\$ 122,896</u>	<u>\$3,626,944</u>	<u>\$ 71,864</u>	<u>\$ 9,291,818</u>	<u>\$ 11,530,911</u>
\$ -	\$ -	\$ -	\$ 4,276	\$ 7,125	\$ 18,568
86,078	3,787	746,944	67,588	2,176,479	2,269,008
-	-	-	-	766,574	648,705
-	-	-	-	-	1,518,019
-	119,109	-	-	155,315	185,286
-	-	-	-	3,012,000	3,293,000
173,325	-	<u>2,880,000</u>	-	<u>3,174,325</u>	<u>3,598,325</u>
<u>\$ 259,403</u>	<u>\$ 122,896</u>	<u>\$3,626,944</u>	<u>\$ 71,864</u>	<u>\$ 9,291,818</u>	<u>\$ 11,530,911</u>

This page intentionally left blank.

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

To the City Council
City of Clayton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clayton as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Clayton's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
October 29, 2015