



Agenda Date: 01/13/2015

Agenda Item: 5.6

STAFF REPORT

Date: January 13, 2015
To: Bryan H. Montgomery, City Manager
From: Paul Abelson, Finance Director
SUBJECT: Adopt Resolution Accepting the Comprehensive Annual Financial Report (CAFR), Management Letter, and Report on Agreed Upon Procedures for Fiscal Year 2013-2014

Approved and Forwarded to the City Council:


Bryan Montgomery, City Manager

Background and Analysis

The Fiscal Year 2013-2014 CAFR, including the City's audited financial statements, is complete and attached. The Successor Agency to the Oakley Redevelopment Agency is also included in the CAFR. In accordance with State Law, the Auditors also performed agreed upon procedures to review our Gann Limit calculations and compliance. Maze and Associates performed the engagements, and have issued an unqualified (clean) opinion on the financial statements, as presented. As is required when significant uncertainties exist, their opinion includes additional language mentioning the uncertainties remaining related to the winding down of the Redevelopment Agency; and the Notes to the Financial Statements include a substantial amount of Successor Agency information.

The Auditor's Management Letter includes the required communications from Statement of Auditing Standards (SAS) No. 112 Communicating Internal Control Related Matters Identified in an Audit, which requires that the Auditor report any "material weakness" or "significant deficiency" found during the audit. There were none. The Auditor's Management Letter does include several items under "other matters" they believe are worth our consideration; and Management's response to each one is included in the Letter. These are generally smaller items, and all were items worth reviewing and/or implementing as described.

The Auditor's "Agreed Upon Procedures Report on Compliance with the Proposition 111 2013-2014 Appropriations Limit Increment" is also attached. The agreed upon procedures is less in scope than the audit, but in carrying out the procedures, the Auditors walked through the calculation and confirmed the City followed appropriate procedures in complying with appropriations limit calculation requirements.

Suggested Communication

In addition to providing you with these reports, it is recommended that at least once each year we review with you the importance of the City's establishing and maintaining a system of internal controls. A particularly important part of this is to be clear that it is the City's obligation to establish the system of internal controls – and not the Auditor. (The Management Letter that follows the Audit is a report to management, but in itself, does not replace the need/requirement for internal controls.)

In the simplest terms, internal controls are the methods and procedures designed by management to safeguard assets and to manage resources. They include how management “sets the tone”, providing discipline and structure, and the means for free flowing communication both up and down the chain of command and across the organization to meet the City’s stated goals and objectives. At its core, and in the context most associated with the annual external financial audit, it includes the system of checks and balances designed to minimize errors in the accounting records and deter fraud, embezzlement and theft by employees, customers and vendors. These are generally accomplished by incorporating control activities into the organization’s operations, the most common activities being approvals and verifications, reconciliations, reviews and segregation of duties.

When examining internal controls, it’s important to consider the risks an activity proposes to reduce, against the cost of the activity itself. As with most things, more isn’t always better; and both the law of diminishing returns and resource limitations can significantly affect the decision of which activities to employ in each situation. It is also important to carefully balance the need for adequate controls against the creation of unnecessary bureaucracy, since efficiency is an important organizational objective, as well.

The City’s auditors perform an assessment of the City’s internal controls as part of the audit each year, and so this is a good time to review the concept, and responsibility the City has in establishing appropriate controls. As noted above and in the attached Management Letter, the Auditor found no material weaknesses or significant deficiencies in our controls; however, they have offered some small suggestions for improvement. This is common, and helpful, especially as the City continues to develop. As always, we continue to strive for improvement and welcome their recommendations.

Fiscal Impact

None.

Recommendation

Staff recommends the City Council adopt the attached resolution accepting the reports.

Attachments

1. Resolution
2. FY 2013-2014 CAFR
3. FY 2013-2014 Management Letter from Maze and Associates
4. FY 2013-2014 Gann Limit Report

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY ACCEPTING
THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), MANAGEMENT
LETTER, AND REPORT ON AGREED UPON PROCEDURES FOR
FISCAL YEAR 2013-14**

WHEREAS, each year the City hires an independent audit firm to complete an audit of the City's books and records; and

WHEREAS, the City's citizens, bondholders, bond insurers, rating agencies and others rely on the audited financial statements, and other related information published by the City to monitor the City's financial health; and

WHEREAS, the City publishes a Comprehensive Annual Financial Report (CAFR), which includes its audited Basic Financial Statements as defined in Governmental Accounting Standards, as well as Supplementary Information; and

WHEREAS, the Auditor has as part of its most recently completed audit prepared a letter to the City Council commonly referred to as the "Management Letter" outlining any significant deficiencies, material weaknesses, and/ or any additional suggestions the Auditor feels might be of benefit to the City; and

WHEREAS, the Auditor was also engaged to perform certain agreed upon procedures to verify the City's Gann Limit calculations and has issued a report related thereto; and

WHEREAS, the CAFR, Management Letter and Report on Agreed Upon Procedures performed for Fiscal Year 2013-14 are attached hereto as Exhibits A, B and C.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Oakley accepts the attached CAFR, Management Letter and Report on Agreed Upon Procedures performed for Fiscal Year 2013-14.

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Oakley held on the 13th day of January 2015 and adopted by the following vote:

AYES:

NOES:

ABSTENTION:

ABSENT:

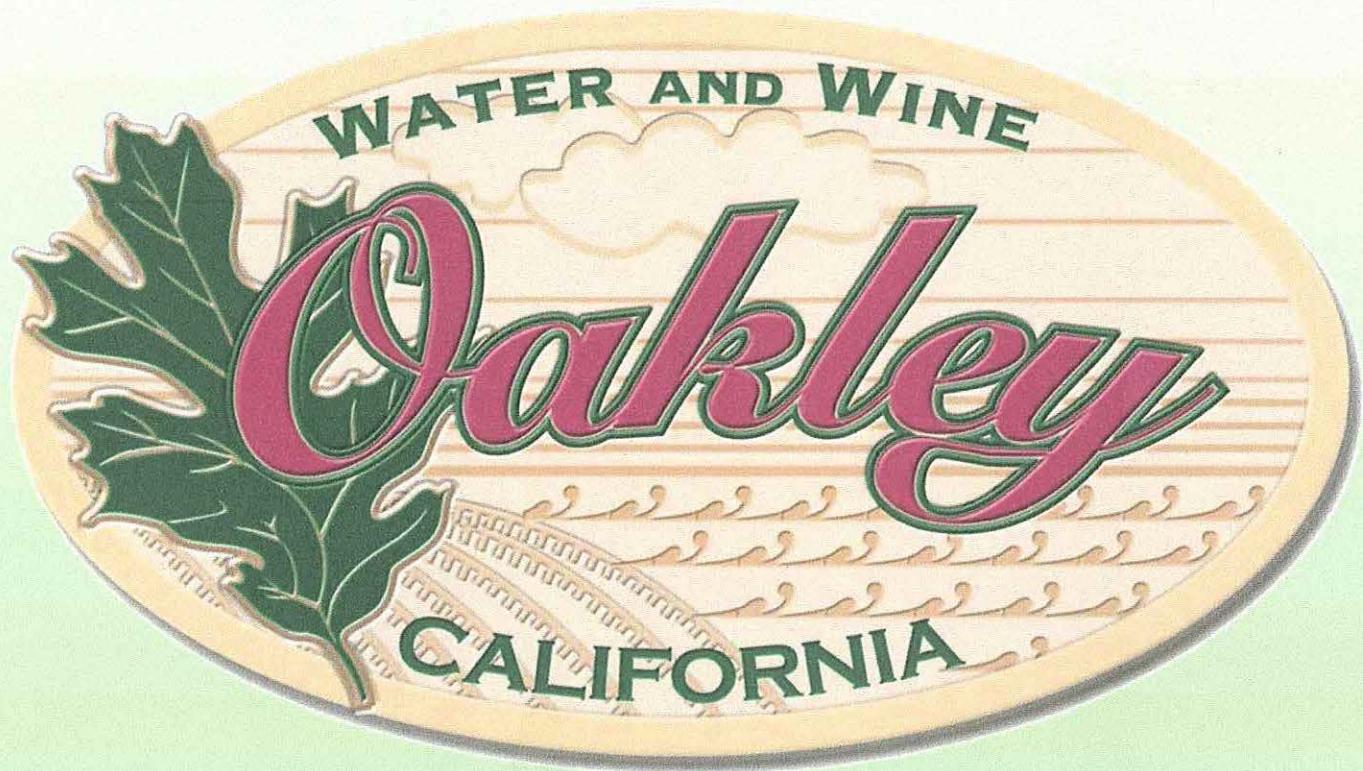
APPROVED: _____
Doug Hardcastle, MAYOR

ATTEST:

Libby Vreonis, CITY CLERK



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014



**CITY OF OAKLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

**PREPARED BY THE
FINANCE DEPARTMENT**

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CITY OF OAKLEY, CALIFORNIA

Comprehensive Annual Financial Report For the Year Ended June 30, 2014

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Oakley, CA 94561
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www.ci.oakley.ca.us

MAYOR
Randy Pope

VICE MAYOR
Doug Hardcastle

COUNCILMEMBERS
Diane Burgis
Kevin Romick
Carol Rios

December 13, 2014

To the Citizens of the City of Oakley,
and Honorable Members of the City Council

We are pleased to submit to you the City of Oakley's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This report is published in accordance with State law that requires financial statements be presented in conformity with accounting principles generally accepted in the United States of America, and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. It is also prepared to meet reporting standards set forth by the Governmental Finance Officers Association.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the changes in financial position of the governmental activities and the various funds of the City; and includes all disclosure necessary to enable the reader to gain an understanding of the City's financial affairs.

CITY PROFILE

The City of Oakley is a community of approximately 38,075 located in the eastern portion of Contra Costa County in the San Francisco Bay Area. The City entity is a California corporate municipality incorporated on July 1, 1999, and operated under a Council-City Manager structure of government. The City Council is comprised of five members elected by the Voters city-wide, serving in staggered 4 year terms. The Council hires a City Manager to run the City's day to day operations.

The City provides the following services: Legislative; Administrative; Building and Safety; Planning; Engineering; Streets, Parks and Landscaping Maintenance; Recreation; and Police Protection. Sewer, Water, Transit, Irrigation, Mosquito Abatement, Flood Control, Schools, and Fire Protection Services are all provided by local special districts with their own governing boards. The City contracts for sanitation service with a local firm under a long-term franchise agreement.

FINANCIAL INFORMATION

Discussion and analysis of the City's finances can be found in the MD&A section of the attached report. The information below includes a summary of what is recorded in the General Fund and certain Other Financial Information of ongoing interest but not included in the MD&A.

The Financial Statements presented in this CAFR include the City and its component unit, the Oakley Public Financing Authority. They are blended in the report since they are governed by the City Council sitting in a separate capacity or provide services exclusively to the City. The Oakley Redevelopment Agency was dissolved on January 31, 2012, and its assets and liabilities were transferred to the City, as Housing Successor, and to a Successor Agency. The Successor Agency is reported as a Private Purpose Trust Fund, since it is legally a separate Entity and its decisions and governance subject to the approval of parties other than the City Council.

Each year, the City Council holds a strategic planning discussion and adopts a budget to direct the allocation of City resources in accordance with its strategic planning priorities. The process typically begins in January with internal budget reviews, followed by a strategic planning session in March, a budget workshop in May to discuss a Proposed Budget, and adoption of a final Recommended Budget in June. The City operates on a fiscal year that begins each July 1 and ends on June 30. The adopted Budget includes the annual update of the City's Comprehensive Statement of Financial Policies, which serves as a framework for its financial practices, an update to its 10 Year Plan, and budgets for each of the funds under the City's control. Budgetary control is established at the Fund level.

The City's General Fund is its primary operating fund, and is used to account for Legislative, Administrative Services, Community Development, Recreation, Police and Public Works operations, and is where the City accounts for all its general purpose revenues. It is distinguished from the City's other governmental funds that are used to account for special purpose revenues, capital projects, debt service activities, and monies held for the benefit of others.

Debt Management

The City generally does not incur debt, except in instances where there will be long-term benefits or where no other method of acquiring an asset is possible. Equipment purchases are generally funded through the City's Equipment Replacement Fund or with current revenues.

Reserves

The City has sufficient reserves to meet its current and immediate future obligations. The Statement of Financial Policies contains reserve policies and the City's Adopted Budget

includes a 10 Year Plan which highlights the impact of near term decisions on fund balances and reserves during the 10 year period. Furthermore, in order to maintain the 10 Year Plan's relevance, twice each year (at budget adoption and again at mid-year), the City reviews and updates the assumptions used in the Plan.

2013-2014 Financial Statement Impacts/Redevelopment Agency Dissolution

The State passed legislation in June 2011 that resulted in the dissolution of redevelopment agencies throughout the State effective January 31, 2012. The legislation was further amended and revised in June of 2012. Collectively, the legislation is referred to as the Dissolution Act. The process of implementing the Act resulted in uncertainties and litigation relating to the process. The City, Successor Agency, and State Department of Finance settled the litigation in July 2014, removing these uncertainties and allowing the Agency to resume moving forward in the process of winding down the Agency's affairs. The effects of the settlement are discussed in greater detail in the Financial Statement footnotes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for fiscal year 2014-2015, management considered the following significant factors likely to affect the financial condition of the City:

- Housing prices have strengthened and building activity has begun to increase. Property tax growth was estimated at 8%, reflecting the newfound market strength, offset by conservative estimates of what the County Assessor might or might not reflect in his assessed values. In addition, the City projected developers will complete 180 new homes in fiscal year 2014-2015, similar to the increased levels seen in fiscal year 2013-2014 compared to prior years.
- The City received news from the County that police services costs would be increasing by nearly 10% vs. fiscal year 2013-2014. This meant that public safety budgeting would remain focused on maintaining existing levels of service, as increases have, for the moment, become too expensive. The Council instructed Staff to continue studying the possibility of a more cost effective long-term approach to providing police services.
- The City had accumulated reserves well in excess of its adopted policy level of 20% of anticipated General Fund expenditures. With all of the news supporting an expectation that the recession was finally over, the Council has once again begun the appropriation of the excess to fund one-time additional infrastructure and economic development investments.

While the budget news was generally good, the City Council continues to support a budget process that uses recurring revenues for recurring expenditures and allocates one-time funds for one-time purposes, reflecting their commitment to conservative budgeting, controlling costs, and using the City's revenues wisely.

THE LOCAL AND REGIONAL ECONOMIES

Oakley's local commercial economy was affected by the larger downturn being experienced across the country and seemingly everywhere, and while commercial activity in the region has improved, commercial vacancies in nearby cities remain a viable and competing alternative to new ground-up construction in Oakley. While new development and City initiatives bring infrastructure improvements and attractive new neighborhoods, these investments also support the City's efforts to attract new businesses and expand existing local employment opportunities. Thus, while near-term growth in the local economy may remain slower, the City is taking the steps necessary to realize its potential, and its long-term prospects remain favorable.

Like most small cities in metropolitan areas, Oakley's economy is influenced strongly by the regional economy. It rises as the region expands, and falls as the region contracts.

The greater San Francisco Bay Area economy has improved remarkably this last year and employment for the City's residents has improved yet again. City unemployment as of August 2014 was 4.3%, down from 5.3% in August 2013.

INDEPENDENT AUDITORS

State statutes require an annual audit by independent certified public accountants. The accounting firm of Maze & Associates has been engaged by the City to conduct this year's audit. The auditor's report on the basic financial statements and combining individual fund statements and schedules is included in the financial section of the report.

AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakley for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fourteenth consecutive year that the government has achieved the award. To receive the award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

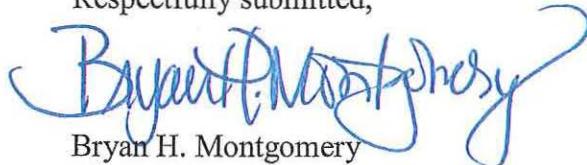
AVAILABILITY TO THE PUBLIC

Once accepted by the Council, the report will be made available to the Public at the City Offices, on the City's website (www.oakleyinfo.com), at State repositories, and by providing copies to the City's bond disclosure dissemination agent.

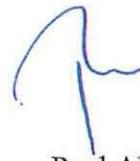
CONCLUSION

We are proud to deliver to you the City's Comprehensive Annual Financial Report for the year ended June 30, 2014. The preparation of this report on a timely basis could not be accomplished without the dedicated services of Finance Department staff and the assistance of many others in the City organization. We would like to express our appreciation to everyone who contributed to its preparation and thank you for your continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



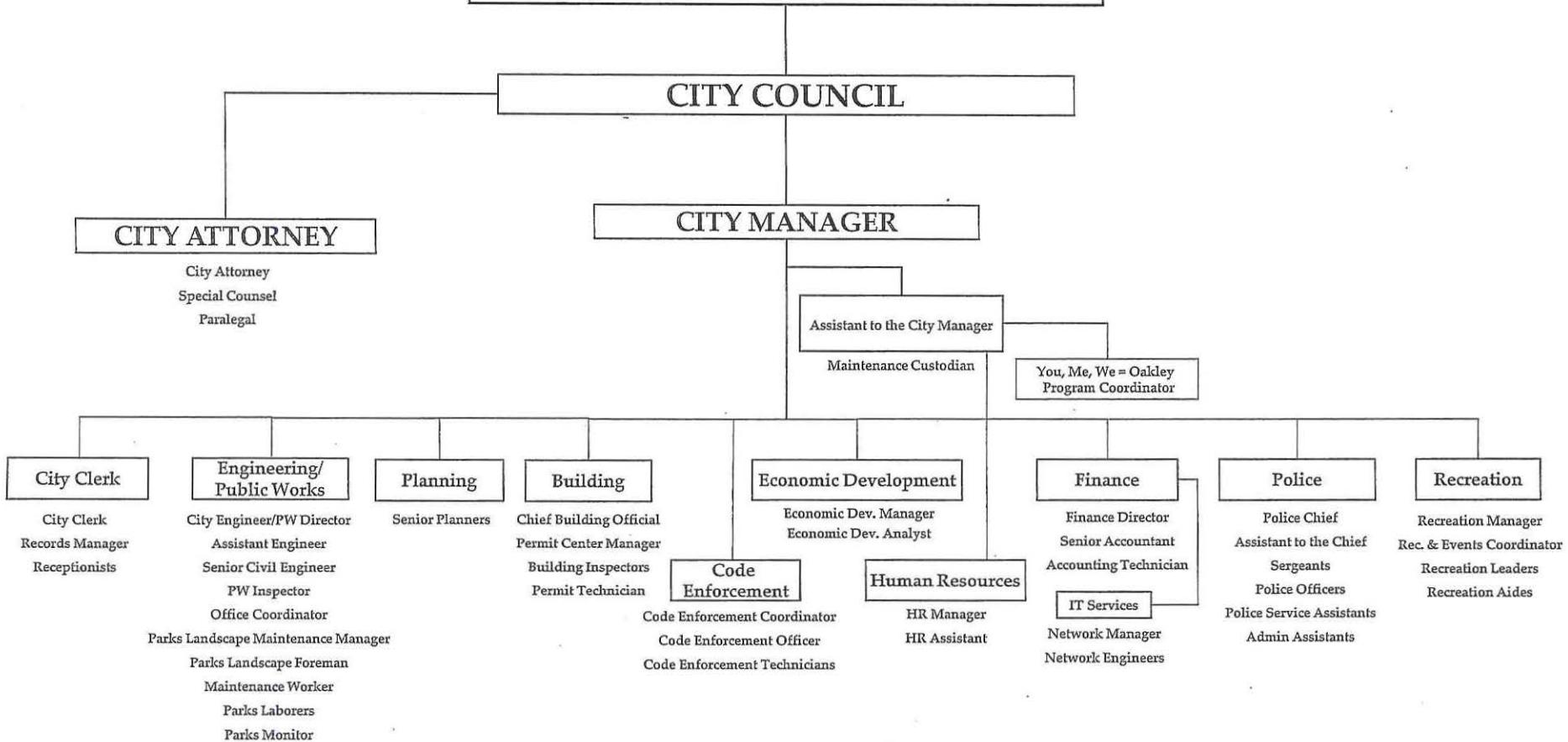
Bryan H. Montgomery
City Manager



Paul Abelson
Finance Director



CITIZENS OF OAKLEY



CITY OF OAKLEY
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL

JUNE 30, 2014

ELECTED OFFICIALS

Mayor	Randy Pope
Vice-Mayor	Doug Hardcastle
Council Member	Diane Burgis
Council Member	Carol Rios
Council Member	Kevin Romick

ADMINISTRATIVE PERSONNEL

City Manager	Bryan H. Montgomery
City Attorney	Derek Cole
Finance Director	Paul Abelson
Chief of Police	Dan Gomez
City Clerk	Libby Vreonis
City Engineer	Kevin Rohani
Building Official	Doug Simms



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Oakley
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, appearing to read "Jeffrey R. Ecker".

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Oakley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oakley as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 the 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. 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 City'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 City'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, each major fund, and the aggregate remaining fund of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Oakley Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Oakley Redevelopment Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 15, but the effect of that review cannot be determined as of June 30, 2014.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

AB1484 requires the Successor Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities. In August 2013, the State Department of Finance (DOF) completed its review of the DDR of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The DDR indicated assets totaling \$1,956 were to be returned, but that amount was adjusted by the DOF to \$537,576. The Successor Agency complied with a portion of the DOF's determination by transmitting a payment of \$71,556 to the County Auditor-Controller in August 2013, but the City disputed the remaining balance due of \$466,020. In October 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to \$952,264. The City disputed the adjustments.

Also as discussed in Note 15, prior to the Redevelopment Agency dissolution, the City, acting under a Cooperation Agreement with the Agency, approved a loan agreement which obligated certain Redevelopment funds. The loan agreement was rejected by the Department of Finance (Department). The City and Department have met and conferred to settle the matter and the Department determined that it is not an enforceable obligation of the Successor Agency at this time. Management continued to believe this transaction was valid and filed a lawsuit against the Department related to this matter and the DDR adjustments.

The City entered into a settlement agreement in July 2014 with the State Department of Finance and the Contra Costa County Auditor-Controller to resolve the disputes discussed above. With the execution of the settlement agreement, the litigation was dismissed on July 23, 2014. Under the terms of the settlement agreement, the City agrees to transfer \$1,450,500 to the Successor Agency that represents the value of the Development and Disposition Agreement related to the Manuel's Five Star Restaurant, Inc., less \$124,500 for the administrative allowance and bond administration expenses previously withheld by the Department of Finance. With the transfer of funds, the City will acquire all rights and interest in the DDA and the associated loan receivable from Manuel's Five Star Restaurant, Inc. will be transferred from the Successor Agency to the City.

After the transfer of funds from the City to the Successor Agency, the Successor Agency is to remit \$1,418,284 to the County Auditor-Controller that represents the total of the amounts remaining in the Low and Moderate Housing Fund DDR (\$466,020) and the DDR of all other funds (\$952,264). The Successor Agency remitted the payments on August 14, 2014, and the Department of Finance issue the Successor Agency a Finding of Completion on August 15, 2014.

In addition, the City agreed that it will not pursue the repayment from the Successor Agency of the housing related advance to the former Redevelopment Agency discussed in Note 15A, and will not seek payment from the Successor Agency for City administration of certain housing programs.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Pleasant Hill, California
December 15, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oakley's financial performance for the fiscal year ended June 30, 2014, provides an overview of year ending results based on the government-wide statements, an analysis on the City's overall financial position and results of operations to assist users in evaluating the City's financial position, and discussions of both significant changes that occurred in funds and significant budget variances. In addition, it describes the activities during the year for capital assets and long-term debt. It concludes with a description of currently known facts, decisions, and conditions that are expected to have a significant effect on the financial position or results of operations. Please read this MD&A in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- Government-wide net position decreased by \$1.0 million, or 0.5 percent this year.
- Government-wide program expenditures exceeded program revenues by \$9.9 million.
- General Fund revenues were \$311,000 more than budgeted; expenditures were \$1,274,000 less than budgeted.
- The General Fund balance at the end of the year was \$12.4 million, of which \$7.8 million was available/unassigned.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (on pages 16 and 17) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 20. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds and other funds. The remaining fiduciary fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities:

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities to answer this question. These statements include all assets, deferred outflows/inflows of resources and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and *changes in net position*. Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is an indication of whether its *financial health* is improving or deteriorating. To put the City's financial health in perspective, you will likely need to consider certain non-financial factors, such as changes in the economy, that impact consumer spending or property values. In the statement of Net Position and the Statement of Activities, we include City Activities from two categories:

Governmental activities – Most of the City's basic services are reported in this category, and include: general government (city manager, city clerk, finance, etc.), community development (planning, building and public works), police protection, and recreation. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues finance these activities.

Component unit activities – The City includes one additional legal entity in its report – the Oakley Public Financing Authority. Although legally separate, the City is financially accountable for this "component unit".

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds (called "major" funds) and other funds (called "non-major" funds) – not the City as a whole. Some funds are required by State law and/or by bond covenants; however, management has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for the use of certain taxes, grants, and other resources. The City's funds are classified as Governmental Funds, Proprietary Funds or Fiduciary Funds.

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds - Internal Service Activities

The City has established Equipment Replacement and Capital Facilities Maintenance and Replacement Internal Services Funds. Internal Service Funds are operated in a manner similar to a private business enterprise. In the case of the Equipment Replacement Fund, it charges the other City funds to accumulate amounts sufficient to replace the equipment at the end of its useful life. The Capital Facilities Maintenance and Replacement Fund charges the other City Funds to accumulate amounts sufficient pay for major repairs and building systems replacements when they may occur. These Funds are reported using the *accrual basis of accounting*.

Trust and Agency Funds - Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain funds held on behalf of bondholders and other governmental agencies. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City doesn't own these assets and cannot use them to finance its operations. The City is the Successor Agency to the Oakley Redevelopment Agency; and the Successor Agency's assets and liabilities are accounted for in a private purpose trust fund reported with the City's other fiduciary funds.

THE CITY AS A WHOLE

For fiscal year 2013-2014 the City's combined net position decreased \$1.0 million from \$190.3 million to \$189.3 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities.

Table 1
Net Position
As of June 30, 2014 and 2013
(In Millions)

Governmental Activities	2014	2013
Assets		
Current and restricted assets	\$ 46.2	\$ 47.7
Capital assets	<u>154.3</u>	<u>154.9</u>
Total Assets	<u>200.5</u>	<u>202.6</u>
Liabilities		
Long-term liabilities outstanding	7.0	7.2
Other liabilities	<u>4.2</u>	<u>5.1</u>
Total Liabilities	<u>11.2</u>	<u>12.3</u>
Net Position		
Net Investment in Capital Assets	147.9	148.3
Restricted	27.1	29.0
Unrestricted	<u>14.3</u>	<u>13.0</u>
Total Net Position	<u>\$189.3</u>	<u>\$190.3</u>

The City's Net Position is made-up of three components: Net Investment in Capital Assets; Restricted Net Position; and Unrestricted Net Position. Net Investment in Capital Assets, the part of net position representing capital assets, and principally infrastructure assets, accounts for the majority of the City's governmental activities net position.

The decrease in Net Investment in Capital Assets resulted primarily from depreciation on the City's infrastructure.

The decrease in Restricted Net Position is primarily due to a reduction in the funds restricted for capital projects.

The increase in Unrestricted Net Position is primarily attributed to strong performance in the City's General Fund.

Table 2
Changes in Net Position
As of June 30, 2014 and 2013
(In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
REVENUES		
<u>Program revenues:</u>		
Charges for Services	\$ 8.2	\$ 8.2
Operating Grants and Contributions	1.5	1.4
Capital Grants and Contributions	2.6	3.4
<u>General revenues:</u>		
Property tax	4.5	4.4
Sales tax	1.5	1.6
Other taxes	1.5	1.4
Use of money and property	0.4	0.4
Miscellaneous	<u>1.0</u>	<u>1.0</u>
Total Revenues	<u>21.2</u>	<u>21.8</u>
EXPENSES		
Legislative	0.4	0.5
Administrative Services	1.3	1.0
Law Enforcement	7.7	7.4
Community Development	1.8	1.8
Public Works	10.2	9.6
Recreation	0.5	0.4
Interest on long-term debt	<u>0.3</u>	<u>0.3</u>
Total Expenses	<u>22.2</u>	<u>21.0</u>
Change in Net Position	(1.0)	0.8
Net Position – Beginning	<u>190.3</u>	<u>189.5</u>
Net Position – Ending	<u>\$189.3</u>	<u>\$190.3</u>

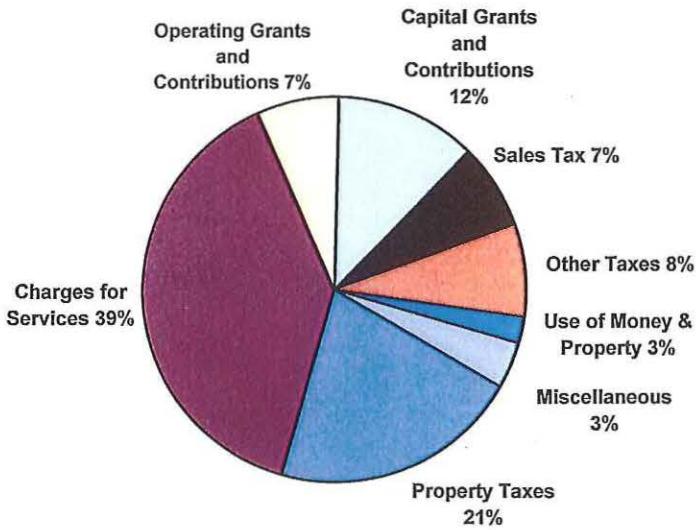
Governmental Activities

Total revenue was \$21.2 million. The largest component this year was Charges for Services, which was unchanged from 2013. Most other categories also experienced no or little change. Capital Grants and Contributions was the exception; it decreased by \$0.8 million. In 2013, capital grants and contributions were higher due to the inclusion of a one-time receipt of project funds from the Highway 4 Bypass Authority.

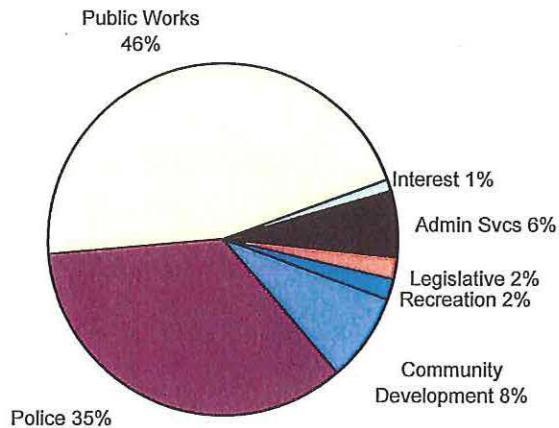
Total expenses were \$22.2 million. Public Works, with \$10.2 million of expenses, represented the largest component of total governmental expenses. The \$0.6 million increase in Public Works expenses resulted from increased seasonal staff; lighting zone costs, remedial maintenance work and depreciation expense. Administrative Services increased \$0.3 due in large part to its inclusion of \$81 thousand in downtown signage and outdoor furnishings and the accrual of \$135 thousand for the future repayment to the State Board of Equalization for corrections to a prior allocation of sales tax. Law Enforcement expenses increased by \$0.3 million, reflecting increased County charges for police officers provided to the City under the City's police services contract.

Fiscal Year 2014 Government Activities

Sources of Revenues



Functional Expenses



THE CITY'S FUNDS

On page 20, the governmental funds balance sheet is shown. The combined fund balance was \$29.8 million, a decrease of \$0.2 million. The largest contributors to the change in fund balance were a decrease in the Traffic Impact Fee Fund (\$1.7 million), resulting from increased capital investment, offset in large part from an increase from General Fund operations (\$1.4 million). The combined fund balance includes the General Fund balance of \$12.4 million.

The General Fund balance increased by \$1.4 million from the prior year. This was a smaller increase than in 2013, when fund balances increased \$2.2 million. Revenues declined \$0.3 million due primarily to decreases in one time revenues; and expenditures increased \$0.3 million due primarily to increases in Administrative Services, for signage and other furnishings in the Downtown, and Public Works, reflecting an increase in General Fund activities. General Fund Unassigned fund balances increased by \$1.7 million.

General Fund revenues were \$1.7 million more than expenditures before transfers.

Other major funds and non-major fund balance changes are noted below:

- The Lighting and Landscaping Fund balance increased \$0.5 million to \$6.4 million, as operating revenues exceeded operating expenditures for the year.
- The Traffic Impact Fee Fund balance decreased by \$1.7 million to \$5.0 million due primarily to increased Capital Outlay.

- The non-major Gas Tax Fund balance decreased \$0.5 million primarily due to increased capital outlay.
- The non-major Park Impact Fees Fund balance increased by \$0.5 million with the receipt of State reimbursement grant funds related to a completed creek restoration project in a City park.
- The non-major Childcare Impact Fees Fund balance decreased \$0.4 million, resulting from the City's first of three payments to a grant recipient for development of a childcare facility.

General Fund Budgetary Highlights

For the City's General Fund, actual revenues of \$9.8 million were \$311,000 more than the final budgeted revenues of \$9.4 million. Property, sales and other tax revenues exceeded budget by \$245,000, and licenses and permit revenues exceeded budget by \$137,000. Original budgeted General Fund revenues were increased by approximately \$96,000 during the year, reflecting improving views on the state of the economic recovery, offset largely by an action by the State to deny funding a portion of an annual Successor Agency administrative fee.

Actual General Fund expenditures were \$8.0 million, \$1.27 million less than final budget of \$9.3 million. Savings were primarily in law enforcement, where expenditures were \$893,000 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had \$154.3 million invested in a broad range of capital assets including land, streets, bridges, drainage systems, traffic lights, parks, buildings, vehicles and equipment. (See Table 3).

Table 3
Capital Assets
As of June 30, 2014 and 2013
(In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
Non Depreciable		
- Land	\$9.3	\$ 9.3
- Construction in progress	4.1	8.3
Depreciable, net of accumulated depreciation:		
- Machinery, equipment and vehicles	0.7	0.8
- Buildings and improvements	7.2	7.2
- Park improvements	7.9	7.0
- Infrastructure	<u>125.1</u>	<u>122.3</u>
Total Capital Assets	<u>\$154.3</u>	<u>\$154.9</u>

Capital assets decreased by \$0.6 million during fiscal year 2013-2014 as depreciation exceeded new asset additions.

The City's fiscal year 2014-2015 capital improvement budget calls for it to spend \$5.8 million for new capital projects, the majority being the construction of roadways, drainage, and landscaping improvements. The work projects will be financed primarily with Traffic Impact fees, General Fund allocations, and grant funds. Additional information about the capital assets can be found in Note 7 of the financial statements.

Debt

At year-end, the City's governmental activities had \$7.0 million as shown in Table 4. The decrease of \$0.2 from a year ago is due to payment of scheduled debt service. No new debt was issued in the current year. Additional information about the City's debt can be found in Note 8 of the financial statements.

Table 4
Outstanding Debt at Year-End
(In Millions)

Governmental Activities	<u>2014</u>	<u>2013</u>
2006 Certificates of Participation	7.0	7.2
Total Debt	<u>\$ 7.0</u>	<u>\$ 7.2</u>

During the year, the City made all of its current year debt service payments in a timely manner.

CONTACTING THE CITY FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at the City offices at 3231 Main Street, Oakley, California, by calling (925) 625-7010, or forwarding your inquiry via the "contact us" page on the City's website (www.oakleyinfo.com). This CAFR, as well as other financial documents, is posted in the Finance Department section of the City's website.

CITY OF OAKLEY

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and deferred outflows of resources and all its liabilities and deferred inflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's Net Position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column. The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds.

The Statement of Activities reports increases and decreases in the City's Net Position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Oakley Public Financing Authority, which is legally separate but are component units of the City because it is controlled by the City, which is financially accountable for the activities of the entity.

CITY OF OAKLEY
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments available for operations (Note 3)	\$29,955,038
Cash and investments with fiscal agent (Note 3)	574,685
Accounts receivable, net of allowance	
for doubtful accounts (Note 1F)	1,558,282
Interest receivable	13,341
Prepays and deposits	22,832
Loans receivable (Note 5)	11,847,641
Land held for resale (Note 6)	2,222,235
Capital assets (Note 7):	
Land and construction in progress	13,322,982
Depreciable, net	<u>140,931,286</u>
Total Assets	<u>200,448,322</u>
LIABILITIES	
Accounts payable	1,723,124
Accrued liabilities	193,270
Deposits payable	1,009,893
Unearned revenue	872,222
Interest payable	49,439
Claims payable - due in one year (Note 13)	25,000
Compensated absences (Note 1H):	
Due within one year	184,927
Due in more than one year	181,512
Long-term debt (Note 8):	
Due within one year	265,000
Due in more than one year	<u>6,690,000</u>
Total Liabilities	<u>11,194,387</u>
NET POSITION (Note 10)	
Net investment in capital assets	<u>147,873,953</u>
Restricted for:	
Capital projects	17,657,686
Debt service	93
Low and moderate income housing	<u>9,383,859</u>
Total Restricted Net Position	<u>27,041,638</u>
Unrestricted net position	<u>14,338,344</u>
Total Net Position	<u>\$189,253,935</u>

See accompanying notes to financial statements

CITY OF OAKLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Legislative	\$445,731				(\$445,731)
Administrative Services	1,301,361	\$265,859	\$130,000		(905,502)
Community Development	1,818,749	1,154,157	24,397	\$513,805	(126,390)
Public Works	10,176,857	3,498,824	1,105,043	2,111,050	(3,461,940)
Housing Programs	8,279				(8,279)
Law Enforcement	7,694,485	3,232,109	171,752		(4,290,624)
Recreation	478,070	69,168	72,031		(336,871)
Interest and fiscal charges	316,972				(316,972)
Total Governmental Activities	<u>\$22,240,504</u>	<u>\$8,220,117</u>	<u>\$1,503,223</u>	<u>\$2,624,855</u>	<u>(9,892,309)</u>
General revenues:					
Taxes:					
Property taxes					4,499,522
Sales taxes					1,520,884
Other taxes					1,536,193
Intergovernmental, unrestricted:					
Motor vehicle in lieu					15,804
Use of money and property					435,725
Miscellaneous					<u>871,215</u>
Total General Revenues					<u>8,879,343</u>
Change in Net Position					(1,012,966)
Net Position-Beginning					<u>190,266,901</u>
Net Position-Ending					<u>\$189,253,935</u>

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2014. Individual non-major funds may be found in the Supplemental Section.

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. Revenues deposited in the General Fund include property tax, sales tax, franchise fees, business licenses, fines and forfeitures and fees for services. This fund is used to finance most of the City's basic services including Legislative, General Administration, Law Enforcement, Public Works and Community Development.

LIGHTING AND LANDSCAPING DISTRICTS SPECIAL REVENUE FUND

This fund accounts for assessments made upon parcels of land within the Lighting and Landscaping Zones #1, #2 and #3 and their use in accordance with the provisions of the State of California Streets and Highway Code.

PUBLIC PROTECTION SPECIAL REVENUE FUND

This fund accounts for dedicated Police Services Special Taxes and State COPS program funds.

LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND

This fund accounts for the housing assets of the former Oakley Redevelopment Agency and loan repayments restricted to low and moderate income housing projects.

TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

This fund accounts for fees assessed on new development to provide street and road improvements.

CITY OF OAKLEY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Lighting and Landscaping Districts	Public Protection	Low and Moderate Income Housing Asset	Traffic Impact Fees
ASSETS					
Cash and investments available for operations (Note 3)	\$9,030,853	\$6,795,910	\$213,152	\$56,618	\$4,955,037
Cash and investments with fiscal agent (Note 3)					
Accounts receivable, net of allowance					
for doubtful accounts (Note 1F)	922,043	13,135	8,828		
Interest receivable	4,691	2,953	(25)		2,271
Due from other funds (Note 4C)	8,279				
Prepays and deposits	22,832				
Loans receivable (Note 5)	1,161,299			10,686,342	
Advances to other funds (Note 4B)	247,715				682,679
Land held for resale (Note 6)	2,222,235				
Total Assets	\$13,619,947	\$6,811,998	\$221,955	\$10,742,960	\$5,639,987
LIABILITIES					
Accounts payable	\$683,049	\$254,265			\$389,697
Accrued liabilities	57,710				
Due to other funds (Note 4C)				\$8,279	
Deposits payable	782				
Unearned revenue	301,183	\$221,955			114,042
Advances from other funds (Note 4B)		97,715		1,350,822	
Total Liabilities	1,042,724	351,980	221,955	1,359,101	503,739
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable	195,262	13,135			
Unavailable revenue - loans receivable				10,686,342	
Unavailable revenue - interest on advances to other funds					96,503
Total Deferred Inflows of Resources	195,262	13,135		10,686,342	96,503
FUND BALANCES					
Fund balance (Note 10):					
Nonspendable	3,654,081				
Restricted	559,498	6,446,883			5,039,745
Assigned	331,289				
Unassigned	7,837,093			(1,302,483)	
TOTAL FUND BALANCES (DEFICITS)	12,381,961	6,446,883		(1,302,483)	5,039,745
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$13,619,947	\$6,811,998	\$221,955	\$10,742,960	\$5,639,987

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
---	---

\$7,248,830	\$28,300,400
<u>574,685</u>	<u>574,685</u>
614,276	1,558,282
2,720	12,610
8,279	8,279
22,832	22,832
11,847,641	
668,143	1,598,537
	2,222,235
<u>\$9,108,654</u>	<u>\$46,145,501</u>

\$370,273	\$1,697,284
683	58,393
8,279	8,279
1,009,111	1,009,893
235,042	872,222
150,000	1,598,537
<u>1,765,109</u>	<u>5,244,608</u>

208,397	
10,686,342	
<u>94,447</u>	<u>190,950</u>
<u>94,447</u>	<u>11,085,689</u>

3,654,081	
6,745,836	18,791,962
668,457	999,746
(165,195)	6,369,415
<u>7,249,098</u>	<u>29,815,204</u>
<u>\$9,108,654</u>	<u>\$46,145,501</u>

CITY OF OAKLEY
 Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet: **\$29,815,204**

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Government Funds.

154,254,268

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Position.

1,629,529

NON-CURRENT REVENUES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.

11,085,689

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(6,955,000)
Accrued liabilities	(134,877)
Interest payable	(49,439)
Compensated absences	(366,439)
Claims Payable	(25,000)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$189,253,935

See accompanying notes to financial statements

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CITY OF OAKLEY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General	Lighting and Landscaping Districts	Public Protection	Low and Moderate Income Housing Asset	Traffic Impact Fees
REVENUES					
Property taxes	\$4,014,795				
Sales tax	1,520,884				
Other taxes	1,425,552				
Licenses and permits	1,344,949				
Charges for services	75,691				
Fines and forfeits	158,778				
Intergovernmental:					
Motor vehicle in lieu	15,804				
Other	245,806		\$116,752		
Developer fees					\$1,415,372
Special assessments		\$3,182,615	3,058,332		
Loan repayments					\$1,217
Use of money and property	146,097	8,637	99	41,297	21,718
Miscellaneous	804,405	39,840			
Total Revenues	9,752,761	3,231,092	3,175,183	42,514	1,437,090
EXPENDITURES					
Current:					
Legislative	433,151				
Administrative Services	1,110,343				
Community Development	1,225,658				
Public Works	609,450	2,874,684			47,989
Housing programs					8,279
Law Enforcement	4,282,445		3,175,183		
Recreation	371,742				
Capital outlay		24,991			3,105,925
Debt service:					
Principal					
Interest and fiscal charges		110		3,267	
Total Expenditures	8,032,789	2,899,785	3,175,183	11,546	3,153,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	1,719,972	331,307		30,968	(1,716,824)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)	807	155,745			
Transfers (out) (Note 4A)	(341,212)				
Total Other Financing Sources (Uses)	(340,405)	155,745			
NET CHANGE IN FUND BALANCES	1,379,567	487,052		30,968	(1,716,824)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	11,002,394	5,959,831		(1,333,451)	6,756,569
FUND BALANCES (DEFICIT) AT END OF YEAR	\$12,381,961	\$6,446,883		(\$1,302,483)	\$5,039,745

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$484,727	\$4,499,522
	1,520,884
	1,425,552
	1,344,949
	75,691
	158,778
	15,804
2,092,888	2,455,446
919,219	2,334,591
288,486	6,529,433
	1,217
13,541	231,389
126,226	970,471
<u>3,925,087</u>	<u>21,563,727</u>
	433,151
	1,110,343
561,103	1,786,761
1,075,693	4,607,816
	8,279
	7,457,628
99,140	470,882
2,122,027	5,252,943
255,000	255,000
<u>315,295</u>	<u>318,672</u>
<u>4,428,258</u>	<u>21,701,475</u>
<u>(503,171)</u>	<u>(137,748)</u>
910,891	1,067,443
<u>(726,231)</u>	<u>(1,067,443)</u>
<u>184,660</u>	<u></u>
<u>(318,511)</u>	<u>(137,748)</u>
<u>7,567,609</u>	<u>29,952,952</u>
<u><u>\$7,249,098</u></u>	<u><u>\$29,815,204</u></u>

CITY OF OAKLEY
 Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **(\$137,748)**

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay and certain departmental expenditures are added back to fund balance	5,317,031
Retirements are deducted from fund balance	(2,279)
Depreciation expense is deducted from fund balance	
(Depreciation expense is net of internal service fund depreciation of \$506,477 which has already been allocated to serviced funds.)	(5,663,846)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	255,000

NON-CURRENT ITEMS

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

Non-current portion of compensated absences	(88,361)
Accrued liabilities	(134,877)
Interest payable	1,700
Unavailable revenue	(340,912)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities,

such as equipment acquisition and maintenance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out
of their transactions with governmental funds is reported with governmental activities,
because they service those activities.

Change in Net Assets - Internal Service Fund	<u>(218,674)</u>
--	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

<u>(\$1,012,966)</u>

See accompanying notes to financial statements

**CITY OF OAKLEY
GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$3,813,000	\$3,887,000	\$4,014,795	\$127,795
Sales taxes	1,450,000	1,450,000	1,520,884	70,884
Other taxes	1,379,000	1,379,000	1,425,552	46,552
Licenses and permits	1,009,000	1,208,310	1,344,949	136,639
Charges for services	38,500	45,500	75,691	30,191
Fines and forfeits	163,500	148,500	158,778	10,278
Intergovernmental:				
Motor vehicle in lieu		15,804	15,804	
Other	264,000	358,777	245,806	(112,971)
Use of money and property	50,000	112,500	146,097	33,597
Miscellaneous	<u>1,178,097</u>	<u>836,200</u>	<u>804,405</u>	<u>(31,795)</u>
Total Revenues	9,345,097	9,441,591	9,752,761	311,170
EXPENDITURES				
Current:				
Legislative	356,870	472,061	433,151	38,910
Administrative Services	1,252,512	1,261,842	1,110,343	151,499
Community Development	1,322,789	1,321,650	1,225,658	95,992
Public Works	471,736	672,100	609,450	62,650
Law Enforcement	5,173,499	5,175,373	4,282,445	892,928
Recreation	383,391	388,778	371,742	17,036
Capital outlay	<u>76,300</u>	<u>15,280</u>		<u>15,280</u>
Total Expenditures	9,037,097	9,307,084	8,032,789	1,274,295
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	308,000	134,507	1,719,972	1,585,465
OTHER FINANCING SOURCES (USES)				
Transfers in			807	807
Transfers (out)	(69,000)	(341,212)	(341,212)	
Total Other Financing Sources (Uses)	(69,000)	(341,212)	(340,405)	807
NET CHANGE IN FUND BALANCES	\$239,000	(\$206,705)	1,379,567	\$1,586,272
Fund balance at beginning of year			<u>11,002,394</u>	
Fund balance at end of year			<u>\$12,381,961</u>	

See accompanying notes to financial statements

CITY OF OAKLEY
LIGHTING AND LANDSCAPING DISTRICTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Special assessments	\$3,131,795	\$3,130,295	\$3,182,615	\$52,320
Use of money and property	8,025	7,025	8,637	1,612
Miscellaneous		13,914	39,840	25,926
Total Revenues	<u>3,139,820</u>	<u>3,151,234</u>	<u>3,231,092</u>	<u>79,858</u>
EXPENDITURES				
Current:				
Public Works	2,879,963	3,158,566	2,874,684	283,882
Capital outlay		108,752	24,991	83,761
Debt service:				
Interest and fiscal charges			110	(110)
Total Expenditures	<u>2,879,963</u>	<u>3,267,318</u>	<u>2,899,785</u>	<u>367,533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>259,857</u>	<u>(116,084)</u>	<u>331,307</u>	<u>447,391</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	201,000	246,800	155,745	(91,055)
Transfers (out)	(68,000)	(68,000)		68,000
Total Other Financing Sources (Uses)	<u>133,000</u>	<u>178,800</u>	<u>155,745</u>	<u>(23,055)</u>
NET CHANGE IN FUND BALANCES	<u>\$392,857</u>	<u>\$62,716</u>	<u>487,052</u>	<u>\$424,336</u>
Fund balance at beginning of year			<u>5,959,831</u>	
Fund balance at end of year			<u>\$6,446,883</u>	

See accompanying notes to financial statements

CITY OF OAKLEY
PUBLIC PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental:				
Other	\$100,000	\$116,750	\$116,752	\$2
Special assessments	3,031,000	3,058,000	3,058,332	332
Use of money and property	500	500	99	(401)
Total Revenues	<u>3,131,500</u>	<u>3,175,250</u>	<u>3,175,183</u>	<u>(67)</u>
EXPENDITURES				
Current:				
Law Enforcement	3,131,500	3,175,250	3,175,183	67
Total Expenditures	<u>3,131,500</u>	<u>3,175,250</u>	<u>3,175,183</u>	<u>67</u>
NET CHANGE IN FUND BALANCES				
Fund balance at beginning of year				
Fund balance at end of year				

See accompanying notes to financial statements

CITY OF OAKLEY
LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Loan repayment	\$2,400	\$2,400	\$1,217	(\$1,183)
Use of money and property	12,000	12,000	41,297	29,297
Total Revenues	<u>14,400</u>	<u>14,400</u>	<u>42,514</u>	<u>28,114</u>
EXPENDITURES				
Current:				
Housing programs	14,400	14,400	8,279	6,121
Debt service:				
Interest	_____	_____	3,267	(3,267)
Total Expenditures	<u>14,400</u>	<u>14,400</u>	<u>11,546</u>	<u>2,854</u>
NET CHANGE IN FUND BALANCES			<u>30,968</u>	<u>\$25,260</u>
Fund balance (deficit) at beginning of year			<u>(1,333,451)</u>	
Fund balance (deficit) at end of year			<u>(\$1,302,483)</u>	

See accompanying notes to financial statements

PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

Internal service funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services to other City funds be financed through user fees to those funds.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of the internal service fund is eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

**CITY OF OAKLEY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current:	
Cash and investments available for operations (Note 3)	\$1,654,638
Receivables:	
Interest	<u>731</u>
Total Current Assets	<u>1,655,369</u>
Noncurrent:	
Capital assets (net of accumulated depreciation)	<u>7,590,250</u>
Total Assets	<u>9,245,619</u>
LIABILITIES	
Accounts payable	<u>25,840</u>
Total Assets	<u>25,840</u>
NET POSITION (Note 10)	
Net investment in capital assets	7,590,250
Unrestricted	<u>1,629,529</u>
Total Net Position	<u>\$9,219,779</u>

See accompanying notes to financial statements

**CITY OF OAKLEY
PROPRIETARY FUNDS**
**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION**
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$249,000</u>
Total Operating Revenues	<u>249,000</u>
OPERATING EXPENSES	
Supplies	71,966
Depreciation	<u>506,477</u>
Total Operating Expenses	<u>578,443</u>
Operating Income (Loss)	<u>(329,443)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,723
Loss on disposition of property	<u>(29,975)</u>
Total Nonoperating Revenues	<u>(25,252)</u>
Income (Loss) Before Contributions	<u>(354,695)</u>
Contributions	<u>136,021</u>
Change in net position	<u>(218,674)</u>
BEGINNING NET POSITION	<u>9,438,453</u>
ENDING NET POSITION	<u>\$9,219,779</u>

See accompanying notes to financial statements

**CITY OF OAKLEY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$249,000
Payments to suppliers	<u>(46,126)</u>
 Cash Flows from Operating Activities	 <u>202,874</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(76,643)
Proceeds from sale of capital assets	<u>4,065</u>
 Cash Flows from Capital Financing Activities	 <u>(72,578)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>4,693</u>
 Net Cash Flows	 134,989
 Cash and investments at beginning of period	 <u>1,519,649</u>
 Cash and investments at end of period	 <u>\$1,654,638</u>
 NONCASH TRANSACTIONS	
Contribution of capital assets	<u>\$136,021</u>
Retirement of capital assets	<u>\$34,040</u>
 Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating income (loss)	(\$329,443)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:	
Depreciation	506,477
Net change in liabilities:	
Accounts payable	<u>25,840</u>
 Cash Flows from Operating Activities	 <u>\$202,874</u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements. Fiduciary assets are held for others, therefore they are reported in aggregate without indicating whether they are restricted or unrestricted.

Successor Agency to the Redevelopment Agency Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Oakley.

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

**CITY OF OAKLEY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Successor Agency to the Redevelopment Agency	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and investments (Note 3)	\$1,659,461		\$2,007,518
Cash and investments with fiscal agent (Note 3)	2,675,204		2,011,984
Accounts receivable	169,511		
Interest receivable			535
Loans receivable (Note 15B)	2,385,869		
Land held for redevelopment (Note 15C)	3,863,352		
Capital assets (Note 15D):			
Land and construction in progress	4,907,806		
Depreciable, net	<u>16,412,935</u>		
Total Assets	<u>32,074,138</u>		<u>\$4,020,037</u>
LIABILITIES			
Accounts payable	471,834		
Due to other agencies		\$435,330	
Due to bondholders		3,584,707	
Long-term debt (Note 15E):			
Due within one year	660,000		
Due in more than one year	<u>30,200,000</u>		
Total Liabilities	<u>31,331,834</u>		<u>\$4,020,037</u>
NET POSITION			
Held in Trust for the Successor Agency and Other Governments		<u>\$742,304</u>	

See accompanying notes to financial statements

**CITY OF OAKLEY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Property taxes	\$2,180,805
Charges for services	13,455
Use of money and property	288,574
Miscellaneous	<u>83,974</u>
Total Additions	<u>2,566,808</u>
DEDUCTIONS	
Redevelopment and Economic Development	545,808
Payment to the County Auditor-Controller (Note 15F)	71,556
Depreciation	444,194
Debt service:	
Interest and fiscal charges	<u>1,591,011</u>
Total Deductions	<u>2,652,569</u>
Change in Net Position	(85,761)
NET POSITION HELD IN TRUST FOR SUCCESSOR AGENCY AND OTHER GOVERNMENTS	
Beginning of year	<u>828,065</u>
End of year	<u>\$742,304</u>

See accompanying notes to financial statements

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CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oakley was incorporated as a general law city on July 1, 1999. Oakley is a community of approximately 38,000 residents situated in Contra Costa County on the east side of San Francisco Bay. Oakley is located approximately 50 miles east of the City of San Francisco. The City operates under the Council-Manager form of government and provides the following services: law enforcement, highways and streets, public improvements, planning and zoning, recreation, and general administration services.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The City is governed by a five member council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include only the financial activities of the City and the Oakley Public Financing Authority, which is a component unit controlled by and dependent on the City. The Authority is included ("blended") with funds of the City since it is governed by the City Council sitting in a separate capacity.

The Oakley Public Financing Authority is a separate governmental entity whose purpose is to assist in the financing and refinancing of certain redevelopment activities of the former Redevelopment Agency and certain programs and projects of the City. The Authority's activities to date consist only of the purchase and resale of City or Redevelopment Agency debt issues, and the issuance of the 2004-1 Limited Obligation Bonds, the 2006-1 Infrastructure Revenue Bonds, the 2006 Certificates of Participation and the Refunding Revenue Bonds, Series 2012. Separate financial statements are not issued for the Oakley Public Financing Authority.

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including blended component units. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

Major governmental funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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. Revenues deposited in the General Fund include property tax, sales tax, franchise fees, business licenses, fines and forfeitures and fees for services. This fund is used to account for most of the City's basic services including Legislative, General Administration, Law Enforcement, Recreation and Community Development.

Lighting and Landscaping Districts Special Revenue Fund – This fund accounts for assessments made upon parcels of land within the Lighting and Landscaping Zones #1, #2 and #3 and their use in accordance with the provisions of the State of California Streets and Highway Code.

Public Protection Special Revenue Fund – This fund accounts for dedicated Police Services Special Taxes and State COPS program funds.

Low and Moderate Income Housing Asset Special Revenue Fund – This fund accounts for the housing assets of the former Oakley Redevelopment Agency and loan repayments restricted to low and moderate income housing projects.

Traffic Impact Fees Capital Projects Fund – This fund accounts for fees assessed on new development to provide street and road improvements.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

Internal Service Funds – The funds account for equipment replacement and capital facilities maintenance and replacement; all of which are provided to City departments on a cost reimbursement basis.

Fiduciary Funds – These funds account for assets held by the City as an agent for various functions. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. Agency funds are used to account for assets held by the City as an agent for the Assessment Districts 2004-1 and 2006-1 and the County for regional mitigation fees. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are sales tax, transfer tax, fines, interest revenue and gross receipts taxes. Charges for services, and licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, special purpose revenues and general purpose revenues. While both restricted and unrestricted Net Position may be available to finance program expenditures the City's policy is to first apply restricted purpose revenues to such programs, followed by general purpose revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: accounts receivable, interest on interfund advances and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Accounts Receivable

Receivables at June 30, 2014 were comprised of the following:

Governmental Activities:	Taxes	Accounts	Inter-Governmental	Total Receivables
General Fund	\$262,001	\$295,192	\$364,850	\$922,043
Lighting and Landscaping Districts Fund	13,135			13,135
Public Protection Fund	8,828			8,828
Non-Major Governmental Funds		105,605	508,671	614,276
Total Accounts Receivable, net of allowance for doubtful accounts	<u>\$283,964</u>	<u>\$400,797</u>	<u>\$873,521</u>	<u>\$1,558,282</u>

G. Property Taxes and Special Assessment Revenue

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied for secured taxes and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed. Secured and unsecured property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position. The liability for compensated absences is determined annually. The changes in the compensated absences were as follows:

	<u>Governmental Activities</u>
Beginning Balance	\$278,078
Additions	273,288
Payments	<u>(184,927)</u>
Ending Balance	<u>\$366,439</u>
Current Portion	<u>\$184,927</u>

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Closed Fund

The Cypress Grove Capital Projects Fund was closed as of June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budget Policy

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Work sessions are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All appropriations transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to transfer unencumbered appropriations within a fund. In addition, amendments that are made to authorize spending of increased or new special purpose revenues may be approved by the City Manager. The legally adopted budget requires that expenditures not exceed total appropriations at the fund level.
5. Budgets are adopted for all Governmental Funds except the Cypress Grove Project Capital Projects Fund, which is governed by bond covenants.
6. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts appearing in the budgetary comparison statements are as originally adopted or as amended by the City Council or the City Manager, as authorized.

B. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Unexpended operating appropriations lapse at year end and must be reappropriated in the following year. Unexpended capital projects appropriations are automatically reappropriated in the following year. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities.

C. Expenditures in Excess of Appropriations

The Public Facilities Impact Fees Capital Projects Fund incurred expenditures in excess of appropriations in the amount \$181. The fund had sufficient revenues to finance these expenditures.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except cash of the Successor Agency and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below:

City cash and investments:

Cash and investments available for operations	\$29,955,038
Cash and investments with fiscal agent	<u>574,685</u>
Total City Cash and Investments	<u>30,529,723</u>

Cash and investments in Fiduciary Funds (Separate Statement):

Successor Agency to the Redevelopment

Agency Private Purpose Trust Fund:

Cash available for operations	1,659,461
Cash and investments with fiscal agent	2,675,204

Agency Funds:

Cash and investments available for operations	2,007,518
Cash and investments with fiscal agent	<u>2,011,984</u>
Total Cash and Investments	<u>\$38,883,890</u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities	5 years		No Limit	No Limit
U.S. Government Agency Securities:	5 years		No Limit	No Limit
Federal Home Loan Bank				
Federal National Mortgage Association				
Federal Farm Credit Bank				
Federal Home Loan Mortgage Corporation				
Student Loan Marketing Association				
Government National Mortgage Association				
State of California Warrants, Treasury Notes or Bonds	5 years		No Limit	No Limit
California Local Agency Investment Fund	N/A		N/A	\$50 million per account
Certificates of Deposit	5 years	A1/P1	30%	No Limit
Bankers Acceptances	180 days	A1/P1	40%	30%
Medium Term Corporate Notes	5 years	AAA	30%	No Limit
Money Market Funds	N/A	Top rating category	20%	No Limit
Investment Trust of California (CalTRUST)	N/A		N/A	No Limit
Repurchase Agreements	1 year		No Limit	No Limit

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City and Successor Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Government Securities	N/A	Aaa/AAA
U.S. Government Agency Securities	N/A	N/A
Local Agency Investment Fund	N/A	\$50 million per account
Bankers Acceptances	360 days	A1/A1+/P1
Commercial Paper	270 days	A-1+/P-1
Money Market Funds	N/A	A/AAAm/AAAm
Municipal Obligations	N/A	Aaa/AAA
Pre-refunded Municipal Obligations	N/A	Highest
General Obligations	N/A	A2/A
Investment Agreements/Contracts	N/A	A
Repurchase Agreements	N/A	N/A
Investments fully insured by the FDIC	N/A	N/A
Tax-exempt Obligations	N/A	Highest Rating
Short term Certificates of Deposit	360 days	A1/A1+/P1
Certificates of Deposit	N/A	A
California Asset Management Program	N/A	N/A
Shares in a California Common Law Trust	N/A	N/A

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the distribution of the City's investments by maturity. At June 30, 2014, all of the City's investments mature in 12 months or less, except the Certificates of Deposit held by fiscal agents, which mature on May 16, 2017 (\$500,000) and May 18, 2017 (\$250,000):

Investment Type	
<i>Cash and Investments in City Treasury:</i>	
Money Market Funds	\$1,772,413
Local Agency Investment Fund	19,382,655
CalTRUST	9,003,132
<i>Held by Fiscal Agents:</i>	
California Asset Management Program	2,000,344
Money Market Funds	2,511,529
Certificates of Deposit	<u>750,000</u>
Total Investments	<u>35,420,073</u>
<i>Cash deposits in banks and petty cash</i>	<u>3,463,817</u>
Total Cash and Investments	<u>\$38,883,890</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014 these investments matured in an average of 232 days.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. CalTrust's Short-Term Fund has a target portfolio duration of 0 to 2 years. At June 30, 2014, these investments matured in an average of 500 days.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Successor Agency is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Agency reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014, the fair value approximated is the Agency's cost. At June 30, 2014, these investments have an average maturity of 41 days.

Money market funds are available for withdrawal on demand and at June 30, 2014 matured in an average of 38 days.

F. Credit Risk

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. The actual ratings as of June 30, 2014 for CalTRUST is AAf, California Asset Management Program is rated AAAm, and all the City's Money Market Funds are AAAm as provided by Standard and Poor's investment ratings service. The Local Agency Investment Fund external investment pool and the certificates of deposit were not rated as of June 30, 2014.

G. Concentration of Credit Risk

Investments in any one issuer, other than money market mutual funds, Local Agency Investment Fund, CalTRUST and California Asset Management Program, that represent 5% or more of total investments at the Entity-wide level or in individual funds were as follows at June 30, 2014:

Issuer	Investment Type	Amount
<i>Agency Funds:</i>		
GE Capital	Certificate of Deposit	\$250,000
Discover Bank	Certificate of Deposit	250,000
Goldman Sachs	Certificate of Deposit	250,000

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between Funds during the fiscal year ended June 30, 2014 were as follows:

Fund Receiving Transfer	Fund Making Transfers	Transfer Amount
General Fund	Non-Major Governmental Funds	\$807 (A)
Lighting and Landscaping Districts Special Revenue Fund	Non-Major Governmental Funds	155,745 (A)
Non-Major Governmental Funds	General Fund	341,212 (B)
Non-Major Governmental Funds	Non-Major Governmental Funds	569,679 (B), (C)
	Total Interfund Transfers	<u>\$1,067,443</u>

- (A) To fund operations.
- (B) To fund capital projects.
- (C) To fund debt service.

B. Long-Term Interfund Advances

At June 30, 2014 the funds below had made advances which were not expected to be repaid within the next year. The balances in the funds with the advance to other funds are offset by deferred revenue or nonspendable fund balance.

Advances to Other Funds	Advances from Other Funds	Advanced Amount
General Fund	Lighting and Landscaping Districts Special Revenue Fund	\$97,715
General Fund	Non-Major Funds	150,000
Traffic Impact Fees	Low and Moderate Income Housing Asset Special Revenue Fund	682,679
Non-Major Funds	Low and Moderate Income Housing Asset Special Revenue Fund	668,143
	Total Interfund Advances	<u>\$1,598,537</u>

Since the City's formation in 1999, the General Fund has, on occasion, made advances to the Lighting and Landscaping Districts Special Revenue Fund to cure operating deficits in two of the Landscaping Districts. The advances bear interest at the City's investment pool rate. The balance of these advances totaled \$97,715 at June 30, 2014.

The General Fund agreed to advance \$150,000 to the Public Facilities Impact Fee Capital Projects Fund to fund a debt service shortfall. The advance bears interest at the City's investment pool rate. The balance of the advance totaled \$150,000 at June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

The Traffic Impact Fees Capital Projects Fund, Park Impact Fees Capital Projects Fund, and Public Facilities Impact Fees Capital Projects Fund agreed to accept deferred payment of impact fees by the former Redevelopment Agency to assist with the Courtyards at Cypress Grove affordable housing project. Although no cash was advanced, these obligations were recorded as advances to the former Redevelopment Agency. The City's Low and Moderate Income Housing Asset Special Revenue Fund, as Housing Successor to the former Redevelopment Agency's housing activities, assumed the obligation to repay the advances, which will be repaid from future loan collections. The advances bear interest at the City's annual pooled investment rate which was of 0.24% for fiscal year 2014. The balance outstanding at June 30, 2014 was \$1,350,822.

C. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2014, the Low and Moderate Income Housing Asset Special Revenue Fund owed the General Fund \$8,279.

NOTE 5 – LOANS RECEIVABLE

A. Low and Moderate Income Housing and City Loans Receivable

The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement in low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 15, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund. In addition, the City has made loans to certain employees and to local businesses for economic development. Although these loans and notes are expected to be repaid in full, their balance has been offset by unavailable revenue or nonspendable fund balance. The balances of the loans receivable, including accrued interest, at June 30, 2014 are set forth below:

Golden Oak Manor	\$1,219,448
Silver Oak Apartments	608,145
Oakley Senior Housing	847,394
Oakley Cypress Associates	3,143,750
Carol Lane	4,709,372
First Time Homebuyer	158,233
Employee Home Loans	556,868
East Cypress	48,126
Manuel's Five Star Restaurant, Inc.	156,305
Rogelstad-Thorpe, LLC	400,000
Total	<u>\$11,847,641</u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

B. *Golden Oak Manor*

Under the terms of a Loan Agreement dated December 19, 1994 between the Redevelopment Agency and the Developer, Golden Oak Manor, L.P., the Agency loaned the amount of \$780,000 to construct 50 senior residential rental units, with 24 of the units being restricted to very low income households. The loan is secured by a deed of trust on the property, is due in 2054 and bears simple annual interest of 3 percent. Interest and principal are deferred for 60 years or upon transfer of the property to an unqualified entity. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

C. *Silver Oak Apartments*

Under the terms of a Loan Agreement dated May 1, 1998 between the Redevelopment Agency and the Developer, Ecumenical Association for Housing, the Agency loaned \$374,220 along with an additional \$99,206 in January 1999, for a total loan amount of \$473,426, to fund the construction of 24 affordable housing units. The loan is secured by a deed of trust on the property, is due in 2058 and bears simple annual interest of 3 percent with principal and interest due annually to the extent there is “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

D. *Oakley Senior Housing*

Under the terms of a Loan Agreement dated February 8, 2000 between the Redevelopment Agency and the Developer, Oakley Senior Associates, L.P., the Agency loaned the amount of \$1,800,000 to fund the acquisition and development costs to construct eighty units of affordable housing for low and moderate income seniors. The loan is secured by a deed of trust on the property, is due in 55 years from the issuance of the certificate of completion, but not later than 2058, and bears simple annual interest of 3 percent, with principal and interest due annually to the extent there is “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures. The Agency received a payment of \$547,000 from the developer during fiscal year 2002. A portion of the loan had been funded by the Redevelopment Agency Projects Fund, and with the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Agency Projects Fund, including a portion of the Oakley Senior Housing loan in the amount of \$623,082, were assumed by a Successor Agency as discussed in Note 15.

E. *Oakley Cypress Associates*

Under the terms of the Loan Agreement dated December 1, 2005, the Redevelopment Agency loaned \$2.5 million to Oakley Cypress Associates to assist in the development of 96 affordable housing units. The loan is secured by a deed of trust on the property and bears simple interest of 3 percent annually. Principal and interest payments are due annually to the extent that Oakley Cypress Associates has “residual receipts” as defined in the agreement. The remaining balance of unpaid principal and accrued interest is due fifty-five years after the issuance of the certificate of completion, but no later than December 1, 2063.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

F. Carol Lane

Under the terms of a Loan Agreement dated February 23, 2007 between the Redevelopment Agency and the Developer, 59 Carol Lane, L.P., the Agency loaned the amount of \$3,858,753 to fund the acquisition and development costs to construct two hundred and eight units of senior and family affordable housing for low and very-low income households. The loan is secured by a deed of trust on the property, is due in 55 years from the issuance of the certificate of completion, but not later than 2062, and bears simple interest of 3 percent annually, with principal and interest due annually to the extent there are “residual receipts” as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures.

G. First-Time Homebuyer Program

The Redevelopment Agency administered a First-Time Homebuyers Program funded by Bond proceeds in the amount of \$512,392 in 1994, under which low and moderate income individuals may qualify for first-time home buyer deferred second mortgages to purchase homes in the Oakley area. The individual loans are 30-year fixed rate deferred loans, bearing interest at a rate equal to two percent below the Lender’s rate and do not exceed \$50,000. These loans are due thirty years from the date of issuance, but principal and accrued interest will be forgiven at maturity if the unit was owner occupied for the full thirty years. Under the terms of the Program, loans must be repaid in full if the property is sold to a nonqualified buyer.

H. Employee Home Loans

On December 1, 2005, the City loaned \$550,000 and \$70,000 to a City employee for the purpose of purchasing a home. The loan of \$550,000 is secured by a deed of trust, has a term of 30 years and bears interest of 2.5%. The \$70,000 loan was repaid in January 2006. In March 2009 the City amended the employment agreement to extend the final payment of the housing assistance loan by one year to December 2036. In June 2010 the City again amended the employment agreement to extend the final payment from December 2036 to December 2037. Each extension reflected a one-year deferral of mortgage payments and included no forgiveness of principal. The loan is being repaid timely and at June 30, 2014 had a remaining balance of \$466,699.

On December 15, 2007, the City loaned \$100,000 to a second City employee for the purpose of purchasing a home. The loan of \$100,000 is secured by a deed of trust, has a term of 15 years and bears interest of 2.5%. This employee left the City during fiscal year 2009 and the City entered into a supplemental agreement with the employee that does not require the employee to immediately repay the loan. The City retains an interest in the home and will receive repayment depending on the sales price. However, the City has agreed to forgive its loan if the sales proceeds are less than the outstanding balance on the first deed of trust on the home. The home has not been sold as of June 30, 2014, and at June 30, 2014 the loan has a remaining balance of \$90,169.

As of June 30, 2014, the combined balances of these loans are \$556,868.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

I. *East Cypress*

Under the terms of a settlement agreement with the Greenbelt Alliance regarding the agricultural impacts of the planned development of 828 acres of farmland in the East Cypress area, the property owners in the area are required to make up front per acre and per-lot and pre-recordation contributions to the San Francisco Foundation. The Foundation will then distribute the funding to organizations committed to agricultural land preservation in the Delta area. The City participates in the calculation, collection and distribution of payments to the Foundation. During fiscal year 2011, the City made the following two loans to property owners in the East Cypress area to assist with their share of the litigation expenses:

On June 16, 2011, the City loaned \$16,242 to a property owner. The loan was secured by a deed of trust and if not paid in full by the maturity date, bore interest of 6% annually on the unpaid balance. The loan was repayable within 90 days of receipt of any payments the property owner received from a proposed developer of the property. In the event the owner did not obtain a developer to develop the property, the loan was payable as follows: \$4,000 no later than June 16, 2015, and the remaining balance no later than June 16, 2019. The outstanding balance was repaid in full on October 30, 2013.

On June 30, 2011, the City also loaned \$45,189 to another property owner. The loan is secured only by a promissory note and was due June 30, 2012, however the loan agreement was amended in May 2012 to extend the term of the loan to May 22, 2013. The loan was not repaid on that date, but the City remained in contact with the borrower to ensure collection. Because the note was not paid in full by the maturity dates, the unpaid balance accrued interest at 6% annually from May 22, 2013. The amount outstanding was paid in full on August 21, 2014.

As of June 30, 2014, the balance of the loan, including accrued interest, was \$48,126.

J. *Rogelstad-Thorpe, LLC*

On August 28, 2013, the City loaned \$400,000 to Rogelstad-Thorpe, LLC, for the purpose of posting the collateral required by a commercial lender for the purchase of real property and the completion of various improvements to and expansion of the Oakley Plaza shopping center. The loan is secured by a promissory note and deed of trust, and bears simple interest of 5 percent annually. The principal and all accrued interest were due on August 1, 2014, but the agreement was amended on May 9, 2014 to extend the due date to December 15, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 5 – LOANS RECEIVABLE (Continued)

K. *Manuel's Five Star Restaurant, Inc.*

As discussed in Note 15B, the City entered into an agreement with Manuel's Five Star Restaurant, Inc., in August 2011 to provide loans of the former Redevelopment Agency's funds. The City entered into a second amendment to the agreement in April 2013 to provide an additional loan of \$160,000 for construction costs incurred by the developer that were in excess of amounts anticipated under the original agreement. Due to restrictions applicable under the Dissolution Act, the General Fund made this additional construction loan of \$160,000. The loan bears interest of 5% on outstanding principal, is secured by a deed of trust and is payable in monthly installments. The loan is subject to the same terms of the original agreement and is due upon the sale of the property.

The outstanding balance of the loan was \$156,305 at June 30, 2014.

NOTE 6 – LAND HELD FOR RESALE

The City has purchased parcels that are expected to be resold in the near future. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

The balance of land held for resale in the General Fund at June 30, 2014 was \$2,222,235.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 7 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the half-year convention method which is like the straight-line method in that the cost of the asset is divided by its expected useful life in years, but the asset is depreciated over 6 months instead over one year in its first year. The result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for equipment with a cost of \$5,000 or more and a useful life of more than two years, and for all buildings, improvements and infrastructure with a cost of \$50,000 or more and a useful life of more than two years. The City has assigned the useful lives listed below to capital assets:

Buildings	40 years
Improvements	5-15 years
Machinery and Equipment	5 years
Vehicles	5 years
Roadways:	
Streets (includes pavement, sidewalk, curb & gutters, trees & signs)	40 years
Traffic Signals	25 years
Street Lights	40 years
Bridges	100 years
Parks and Recreation:	
General Improvement	25 years
Specialty Features	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Assets Additions and Retirements

Capital asset balances comprise the following:

	Balance as of June 30, 2013	Additions	Retirements	Transfers	Balance as of June 30, 2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$9,266,464				\$9,266,464
Construction in Progress	8,287,592	\$5,235,418	(\$2,279)	(\$9,464,213)	4,056,518
Total capital assets not being depreciated	17,554,056	5,235,418	(2,279)	(9,464,213)	13,322,982
Capital assets being depreciated:					
Buildings and Improvements	9,480,504			272,017	9,752,521
Machinery and Equipment	2,076,395	54,299			2,130,694
Vehicles	1,356,390	158,365	(175,308)		1,339,447
Roadways:					
Pavement	148,507,835			7,823,977	156,331,812
Sidewalks	9,797,203				9,797,203
Curbs and Gutters	9,585,634			92,879	9,678,513
Traffic Signals	2,938,083			8,406	2,946,489
Regulatory Signs and Street Trees	1,216,410			73,392	1,289,802
Street Lights	3,239,203				3,239,203
Bridges	4,422,722				4,422,722
Parks and Recreation Structures	9,936,136	81,613		1,193,542	11,211,291
Total capital assets being depreciated	202,556,515	294,277	(175,308)	9,464,213	212,139,697
Less accumulated depreciation for:					
Buildings and Improvements	(2,260,334)	(257,469)			(2,517,803)
Machinery and Equipment	(1,763,416)	(113,853)			(1,877,269)
Vehicles	(899,051)	(151,841)	141,268		(909,624)
Roadways:					
Pavements	(48,984,539)	(4,600,364)			(53,584,903)
Sidewalks	(2,538,016)	(130,603)			(2,668,619)
Curbs and Gutters	(2,473,848)	(128,422)			(2,602,270)
Traffic Signals	(983,520)	(117,690)			(1,101,210)
Regulatory Signs and Street Trees	(662,291)	(127,904)			(790,195)
Street Lights	(832,041)	(80,980)			(913,021)
Bridges	(892,794)	(44,226)			(937,020)
Parks and Recreation Structures	(2,889,506)	(416,971)			(3,306,477)
Total accumulated depreciation	(65,179,356)	(6,170,323)	141,268		(71,208,411)
Net capital assets being depreciated	137,377,159	(5,876,046)	(34,040)	9,464,213	140,931,286
Governmental activity capital assets, net	\$154,931,215	(\$640,628)	(\$36,319)		\$154,254,268

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 7 - CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

Administrative Services	\$16,686
Public Works	5,647,160
Internal Service Funds	<u>506,477</u>
Total Governmental Activities	<u>\$6,170,323</u>

NOTE 8 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's long-term debt is recorded only in the government-wide financial statements.

In governmental fund types, debt discounts and issuance costs are recognized in the current period.

A. Current Year Transactions and Balances

The City's debt issue and transaction is shown below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2006 Certificates of Participation 4.00-4.50%, due 5/1/2032	<u>\$8,500,000</u>	<u>\$7,210,000</u>	<u>(\$255,000)</u>	<u>\$6,955,000</u>	<u>\$265,000</u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)

B. 2006 Certificates of Participation

On December 5, 2006, the City issued the 2006 Certificates of Participation (COPs) in the principal amount of \$8,500,000 to finance the acquisition of property and construction of improvements to the City's Civic Center. The COPs are collateralized by revenue from the Civic Center lease agreement. The City intends to use public facilities impact fees to make the lease payments, however the lease payments are payable from any legally available funds. Principal is payable annually and the interest is payable semi-annually through 2032.

C. Debt Service Requirements

Annual debt service requirements are shown below for the City's long-term debt:

For the Year Ending June 30	Principal	Interest
2015	\$265,000	\$296,635
2016	275,000	286,035
2017	285,000	275,035
2018	300,000	263,635
2019	310,000	251,635
2020 - 2024	1,755,000	1,059,945
2025 - 2029	2,190,000	653,160
2030 - 2032	<u>1,575,000</u>	<u>144,000</u>
	<u>\$6,955,000</u>	<u>\$3,230,080</u>

NOTE 9 – ASSESSMENT DEBT WITH NO CITY COMMITMENT

On August 3, 2004, and July 19, 2006, the Oakley Public Financing Authority issued \$17,150,000 principal amount of Revenue Bonds and \$11,460,000 principal amount of Infrastructure Revenue Bonds to finance the construction and acquisition of certain public improvements within the City's Special District Nos. 2004-1 and 2006-1, respectively. On March 3, 2012, the 2004 Bonds were refunded by the Refunding Revenue bonds, Series 2012 in the principal amount of \$14,775,000. The Bonds are secured only by revenues received as payment of assessments levied against property within Special District Nos. 2004-1 and 2006-1. Neither the faith and credit nor the general taxing power of the City of Oakley have been pledged to the payment of the Bonds. Therefore, the Bonds have been excluded from the accompanying financial statements. The outstanding balances of the Bonds were \$14,120,000 and \$9,680,000 respectively at June 30, 2014.

On October 15, 2014, the Oakley Public Financing Authority issued Refunding Revenue Bonds, Series 2014, in the principal amount of \$9,070,000 to refund the 2006 Bonds.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Committed fund balances have constraints imposed by formal action of the City Council, such as by Resolution or Ordinance, which are equally binding, and may be altered only by the same formal action of the City Council.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee under the Appropriations Control Policy, the City Manager. This category includes encumbrances that are not to be liquidated by restricted or committed resources; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds, which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2014, are below:

Fund Balance Classifications	Major Special Revenue Funds				Major Capital Projects Fund		
	General Fund	Low and Mod		Income Housing Asset	Traffic Impact Fees	Other Governmental Funds	Total
		Lighting and Landscaping	Public Protection				
Nonspendables:							
Items not in spendable form:							
Prepays and Deposits	\$22,832						\$22,832
Loans Receivable	1,161,299						1,161,299
Land Held for resale	2,222,235						2,222,235
Advances	247,715						247,715
Total Nonspendable Fund Balances	3,654,081						3,654,081
Restricted for:							
Dutch Slough	559,498						559,498
Lighting and landscaping services		\$6,446,883					6,446,883
Traffic impact projects				\$5,039,745			5,039,745
Fire impact projects					\$81,741		81,741
Street maintenance and improvement					2,281,610		2,281,610
NPDES projects					1,233,930		1,233,930
Community Facilities District #1					1,499,773		1,499,773
Agricultural Conservation					1,725		1,725
Childcare facilities projects					591,812		591,812
Debt Service					574,778		574,778
Park Impact Fees					480,467		480,467
Total Restricted Fund Balances	559,498	6,446,883		5,039,745	6,745,836		18,791,962
Assigned to:							
Termination Payments	117,500						117,500
Uninsured Claims Payable	25,000						25,000
Sales Tax Apportionment Corrections	134,877						134,877
Tenant Improvements	24,337						24,337
Main Street Projects	29,575				668,457		698,032
Total Assigned Fund Balances	331,289				668,457		999,746
Unassigned:							
General fund	7,837,093						7,837,093
Other fund deficits				(\$1,302,483)		(165,195)	(1,467,678)
Total Unassigned Fund Balances	7,837,093			(\$1,302,483)		(165,195)	6,369,415
Total Fund Balances	\$12,381,961	\$6,446,883		(\$1,302,483)	\$5,039,745	\$7,249,098	\$29,815,204

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

C. Minimum Fund Balance Policies

The City's Budget Policies require the City to strive to maintain the following fund balances:

- 1) 20% of the annual operating expenditures in the General Fund's Unassigned Fund Balance for emergencies and unforeseen operating or capital needs. The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting two or more years) or other unforeseen catastrophic costs not covered by the annually budgeted Contingency Reserve.
- 2) Budget a Contingency Reserve each year for non-recurring unanticipated expenditures or to set aside funds to cover known contingencies with unknown costs. The level of the Contingency Reserve will be established as needed but shall not be less than 2% of General Fund operating expenditures.
- 3) Establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The accumulated amount in the reserve will equal the projected payout of accumulated benefits requiring conversion to pay on retirement for employees then eligible for retirement so there are funds to pay out accumulated benefits requiring conversion to pay on termination.
- 4) Claims Reserves will be budgeted at a level which, together with purchased insurance, adequately protects the City. The City will maintain a reserve of two times its deductibles for those claims covered by the insurance pool of which the City is a member (currently the Municipal Pooling Authority of Northern California). In addition, the City will perform an annual analysis of past claims not covered by the pool, and reserve an appropriate amount to pay for uncovered claims.
- 5) The City will establish a Vehicle and Equipment Replacement Reserve Fund for the accumulation of funds for the replacement of worn and obsolete vehicles and other capital equipment. The accumulated amount in the reserve will equal at least 50% of the accumulated depreciation on the City's books for these assets, plus any amounts necessary to ensure the City's ability to replace them when they reach the end of their useful lives. Network and Computer replacement will be gauged using a 3 year lifecycle.
- 6) The City will seek to build and maintain a Facilities Maintenance Capital Asset Reserve Fund for capital costs associated with the maintenance of all City building facilities. The reserve will be maintained at a level at least equal to projected five year facilities maintenance capital costs. Park operating funds shall budget annual capital replacement costs and use them to fund reserves for future equipment replacement and resurfacing needs.
- 7) The City will seek to build and maintain a Storm Drain Depreciation Reserve for costs associated with the major maintenance and capital improvement costs included in the Storm Drain (NPDES) program budget. The minimum reserve level will be 50% of the costs projected over the next five years.
- 8) The City will establish a Reserve for Qualifying Expenditures and will transfer into it from current revenues all amounts necessary to ensure compliance with Gann Limit provisions. These funds will be used solely to pay for Gann Limit excludable capital expenditures. To qualify, they must be for assets having a value greater than \$100,000 and having a useful life of at least 10 years. The City was in compliance with the Gann Limit provisions as of June 30, 2014, and therefore was not required to establish a Reserve for Qualifying Expenditures as of June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

D. Fund Balance Deficit

The Low and Moderate Income Housing Asset Special Revenue Fund had a fund balance deficit of \$1,302,483 at June 30, 2014. The deficit is expected to be eliminated from future loan repayment revenues. In addition, the Public Facilities Impact Fees Fund had a fund balance deficit of \$8,993 at June 30, 2014. The deficit is expected to be eliminated from future impact fee collections.

NOTE 11 - PENSION PLAN

CALPERS Miscellaneous Employee Plan

Substantially all of the City's regular, probationary and part-time employees meet the qualifications to participate in pension plans offered by California Public Employees Retirement System (CALPERS), a cost-sharing agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute and City resolution. Benefits are based on years of credited service, with one year of credited service earned for each one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. In August 2010, the City Council authorized an amendment to the contract between the City and the California Public Employees' Retirement System in order to establish a Tier 2 retirement benefits structure. The Tier 2 changed the retirement benefit plan from 2.5%@55 to 2%@60 for new miscellaneous employees hired on or after October 18, 2010. A Tier 3 structure was established to implement the provisions of the Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, and is applicable to employees new to CALPERS, and hired after December 31, 2012, and not subject to grandfathering into the previously existing Tier 2 Plan. The Plans' provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Miscellaneous Tier 1 (2.5% @ 55)	Miscellaneous Tier 2 (2% @ 60)	Miscellaneous Tier 3 (2% @ 62)
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum / Normal Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of annual	2.0% - 2.5%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	16.687%	8.486%	6.25%

These benefit provisions and all other requirements are established by state statute and City Resolution. Contributions necessary to fund CALPERS on an actuarial basis are determined by CALPERS and its Board of Administration. In May of 2013, the City Council, through a Resolution, directed that in lieu of salary increases, beginning July 1, 2014 and until revised, City employees under Tier 1 and Tier 2 will no longer pay the 2% of their employee contributions they had been paying. The City now pays both the employees' contribution as well as the employer contribution.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 11 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all actuarially required contributions required by CALPERS, for the last three years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$291,501	100%	\$0
June 30, 2013	315,372	100%	0
June 30, 2014	366,245	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation rate at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by State law effective July 1, 2005, the City's Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a State-wide pool. One of the conditions of entry to the pool was that the City true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Side Fund was \$169,248 at June 30, 2014, which will be repaid over the next 6 years.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 11 - PENSION PLAN (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

Actuarial						
<i>Miscellaneous Tier 1</i>						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

<i>Miscellaneous Tier 2</i>						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	\$624,423,437	\$594,492,164	\$29,931,273	95.2%	\$186,777,830	16.0%
2011	682,375,804	639,237,247	43,138,557	93.7%	193,877,169	22.3%
2012	736,231,913	701,224,211	35,007,702	95.2%	208,517,122	16.8%

The City's Miscellaneous Tier 1 Plan represents approximately 0.3875%, 0.4150% and 0.4867% of the State-wide pool for the years ended June 30, 2012, 2011, and 2010, respectively, based on covered payroll of \$1,314,528, \$1,452,922 and \$1,716,330 for those years. The City joined the Miscellaneous Tier 2 Plan in August 2010 and the City's Miscellaneous Tier 2 Plan represents approximately 0.1642% and 0.0900% of the State-wide pool for the years ended June 30, 2012 and 2011, respectively, based on covered payroll of \$342,409 and \$174,577 for those years. Actuarial information for the Miscellaneous Tier 3 Plan is not yet available.

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 12 - DEFERRED COMPENSATION PLANS

City employees may also defer a portion of their compensation under City sponsored Deferred Compensation Plans. The City offers the opportunity to participate in one of two plans, one created in accordance with Internal Revenue Code Section 457, and one created in accordance with Internal Revenue Code 401a. Under the 457 plan, participants are not taxed on the deferred portion of their compensation until distributed to them; under the 401a plan different rules apply and amounts contributed may be either pre-tax or after-tax depending on applicable plan rules. Under both plans, distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 13 - RISK MANAGEMENT

A. Municipal Pooling Authority of Northern California (MPA)

The City is a member of the Municipal Pooling Authority of Northern California. The Authority provides coverage against various types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies. The City participates in the coverage programs as follows:

Types of Coverage (Deductible)	Coverage Limits
Liability (\$25,000)	\$29,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	Statutory Limit
Property:	
All Risk and Copper Claims (\$25,000), Water Claims (\$150,000)	1,000,000,000
Flood*	25,000,000
Pollution Liability (\$100,000)	1,000,000
Boiler and Machinery (\$5,000)	100,000,000
Cyber Liability (\$50,000)	2,000,000
Government Crime (\$10,000)	1,000,000
Employment Liability (\$50,000)	1,000,000

* \$100,000 minimum deductible per occurrence, except Zones A and V, which are subject to a \$250,000 deductible per occurrence

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

The City's deposits with the Authority 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.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

B. Liability for Uninsured Claims

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed, above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. Settlements have not exceeded insurance coverage for the past three fiscal years.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 13 - RISK MANAGEMENT (Continued)

The City's liability for uninsured liability claims at June 30 was estimated by management based on claims experience during the fiscal year and was computed as follows:

	June 30	
	2014	2013
Balance at beginning of year	\$25,000	\$25,000
Liability for current fiscal year claims	26,921	
Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	16,141	47,283
Claims paid	<u>(16,141)</u>	<u>(74,204)</u>
Balance at end of year	<u>\$25,000</u>	<u>\$25,000</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Construction and Other Commitments

The City has the following outstanding construction commitments as of June 30, 2014 which are included in the balance of encumbrances in Note 14E:

Citywide Street Name Sign Replacement	\$63,483
Laurel and Rose Signalization	79,263
Laurel Road Widening - O'Hara to Laurel Ballfields	1,395,602
Civic Center Park Improvement Project	229,390

In addition to the commitments above, the City agreed to grant up to \$925,000 of Childcare Development Fees to a developer for the construction of a childcare facility. The City disbursed \$350,000 during the year, and as of June 30, 2014 the undisbursed amount is \$575,000.

B. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, other than as disclosed in Note 15F(3), there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

C. Tax Apportionment Errors

One of the City's largest previous sales and use tax generators closed its warehouse during the recession, but failed to update its quarterly sales tax reporting. As a result, the City continued to receive sales and use tax associated with the site. Contact with the business failed to correct the problem, and so the City filed a notice with the State Board of Equalization (SBE) requesting verification, and if appropriate, an update to the SBE records and an adjustment to the City's allocations to correct prior allocation errors. During fiscal year 2014, the SBE began processing the correction as a reduction to the City's allocations pursuant to an agreement that the corrections will be made over four quarters. The City estimates the remaining outstanding corrections total approximately \$134,877 as of June 30, 2014, which has been reported as an accrued liability in the Statement of Net Position, and included in assigned fund balance in the General Fund.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

D. Federal and State Grant Programs

The City participates in several federal and State grant programs. These programs are subject to audit by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances have been proposed as a result of audits completed to date; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

E. Encumbrances

Encumbrances outstanding as of June 30, 2014 by fund were as follows:

Major Governmental Fund:	
General Fund	\$29,575
Traffic Impact Fees	1,483,986
Lighting and Landscaping Districts	26,931
Non-Major Governmental Funds	<u>936,153</u>
Total Encumbrances	<u>\$2,476,645</u>

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012 (collectively referred to as the Dissolution Act), which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, the Dissolution Act directs the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office completed its asset transfer review, but the results of the review have not yet been provided to the Successor Agency.

Effective January 31, 2012, the Redevelopment Agency was dissolved. In accordance with the Dissolution Act, certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Under the provisions of ABx1 26, the City was eligible to elect to become the Housing Successor and retain the housing assets and elected to do so. On February 1, 2012, the Agency's housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 17, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board and the Department of Finance. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

On January 19, 2011 the Redevelopment Agency entered into a Cooperation Agreement with the City to perform and administer the redevelopment programs and activities within the Project Area, including its low and moderate income housing programs. The Cooperation Agreement identifies thirty-seven Agency projects that cannot be completed without the assistance of the City, but those projects may be amended. In exchange for the City's agreement to accept these responsibilities and participate in these projects, as appropriate, the Agency made various findings in accordance with the Health and Safety Code within the Cooperation Agreement, including §33220, and the Agency agreed to the following provisions:

- To transfer and convey all of its existing assets to the City prior to June 30, 2011, including its rights to receive funds associated with the Agency's existing agreements with third parties as a contribution toward carrying out the obligations specified in the Agreement.
- To pay the City 3% of all property taxes it receives to the City for administration and oversight activities.
- To repay the principal and interest of the interagency advances discussed in Note 4 B above over a term of six years.

For accountability, the City had established two new funds to account for activities undertaken pursuant to this Agreement.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The Cooperation Agreement was to terminate in fiscal year 2039, however under the provisions of Health and Safety Code Section 34171(d)(2) established by ABx1 26, agreements between the City and the Agency that were executed after December 31, 2010 are no longer enforceable obligations and Health and Safety Code Section 34167.5 requires that if the City is not contractually committed to a third party for the expenditure or encumbrance of those funds that they be returned to the Successor Agency. Although the City contends that the Cooperation Agreement was lawfully executed, the City agreed to comply with the requirements of the Code and the assets as of January 31, 2012 in the City Redevelopment Housing Fund were transferred to the Low and Moderate Income Housing Asset Fund which accounts for the Housing Successor activities, and the assets and liabilities of the City Redevelopment Capital Projects Fund were transferred to the Successor Agency to the Redevelopment Agency Private Purpose Trust Fund. As Housing Successor, the City is only required to assume the assets of the former Redevelopment Agency's housing activities, however, the State Department of Finance has indicated that the Cooperation Agreement is not an enforceable obligation of the Successor Agency and that the advance to the former Redevelopment Agency for a housing project should not be repaid by property taxes. Until the matter was resolved, the City, as housing successor, had assumed the advance liability as discussed in Note 4B.

The entire dispute between the State Department of Finance and the City and Agency regarding the Cooperation Agreement and housing-related advances was litigated, and ultimately resolved, through the settlement discussed in Note 15F(3).

Cash and investments of the Successor Agency as of June 30, 2014 includes the following:

Cash available for operations:	
Cash available for operations	\$213,660
Cash held for September 2, 2014 debt service payment	1,445,801
Cash and investments with fiscal agent	<u>2,675,204</u>
Total Cash and Investments	<u><u>\$4,334,665</u></u>

Details regarding cash and investments are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2014.

B. LOANS RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms. The balance of the portion of the Oakley Senior Housing loan assumed by the Successor Agency as discussed in Note 5D above, including accrued interest was \$609,936 as of June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Manuel's Five Star Restaurant, Inc.

Under the terms of its Cooperation Agreement with the Redevelopment Agency and following existing law at the time, on August 9, 2011 the City entered into an agreement with Manuel's Five Star Restaurant, Inc., to provide loans of Agency funds to develop a restaurant and associated improvements. The loans consist of a construction loan of up to \$1,200,000 to construct the restaurant and an enhancement loan of up to \$600,000 to enhance the exterior of the restaurant building and on-site amenities. The construction loan bears interest of 5% on outstanding principal and unpaid interest beginning three months after the start of operations of the restaurant, is secured by a first deed of trust, and is payable in monthly installments also beginning after the start of operations of the restaurant. The construction loan becomes due upon sale of the property. The enhancement loan does not bear interest and will be forgiven if the borrower operates the restaurant for ten consecutive years. The borrower had drawn down \$39,800 of the loans as of January 31, 2012. With the dissolution of the Agency effective February 1, 2012, the outstanding loan as of that date in the amount of \$39,800 was assumed by the Successor Agency.

The State Department of Finance determined that the loans are not enforceable obligations of the Successor Agency, and the Department and the Agency representatives have gone through a meet and confer process in an attempt to resolve their differences. Notwithstanding this effort, the Department continued to deny the loans, relying on legislation later validated by the State Supreme Court ending redevelopment that included, amongst other things, language that retroactively invalidates virtually all agreements between agencies and their sponsoring entities. The Department contended that as a result of this provision, the loans are a City obligation and not an obligation of the Successor Agency. They did, however, provide that because the enhancement loan was funded with proceeds of Redevelopment Agency bonds, then once the Agency obtains a "Finding of Completion" by complying with provisions of a new law passed in June 2012, the enhancement loan would be allowed.

The borrower had drawn down \$1,200,000 of the construction loan and \$599,304 of the enhancement loan as of June 30, 2014. Loan repayments began in fiscal 2013 and the outstanding balance of the loans was \$1,775,933 at June 30, 2014.

This dispute between the State Department of Finance and the City and Agency regarding the Cooperation Agreement was litigated, and ultimately resolved through the settlement discussed in Note 15F(3).

C. LAND HELD FOR REDEVELOPMENT

The Successor Agency assumed the land held for redevelopment of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Project Area. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

The Successor Agency sold one parcel to a developer subsequent to June 30, 2014.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)**

D. CAPITAL ASSETS

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the half-year convention method which is like the straight-line method in that the cost of the asset is divided by its expected useful life in years, but the asset is depreciated over 6 months instead over one year in its first year. The result is charged to expense each year until the asset is fully depreciated. The capitalization threshold for equipment with a cost of \$5,000 or more and a useful life of more than two years, and for all buildings, improvements and infrastructure with a cost of \$50,000 or more and a useful life of more than two years. The Successor Agency has assigned the useful lives listed below to capital assets:

	<u>Useful lives</u>
Buildings	40 years
Improvements	5-15 years
Machinery and Equipment	5 years
Vehicles	5 years
Roadways:	
Streets (includes pavement, sidewalk, curb & gutters, trees & signs)	40 years
Traffic Signals	25 years
Parks and Recreation:	
General Improvements	25 years
Specialty Features	10 years

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets recorded at June 30 comprise:

	Balance				Balance
	June 30, 2013	Additions	Retirements	Transfers	June 30, 2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$4,331,395				\$4,331,395
Construction in Progress	9,163,318	\$905,509	(\$9,441)	(\$9,482,975)	576,411
Total capital assets not being depreciated	<u>13,494,713</u>	<u>905,509</u>	<u>(9,441)</u>	<u>(9,482,975)</u>	<u>4,907,806</u>
Capital assets being depreciated:					
Buildings and improvements	3,906,700			2,010,090	5,916,790
Machinery and equipment	65,957				65,957
Roadways:					
Pavement	3,889,591			7,447,885	11,337,476
Traffic Signals	400,859				400,859
Street Trees				25,000	25,000
Parks and Recreation	818,890				818,890
Total capital assets being depreciated	<u>9,081,997</u>			<u>9,482,975</u>	<u>18,564,972</u>
Less accumulated depreciation for:					
Buildings and improvements	(815,475)	(177,090)			(992,565)
Machinery and equipment	(65,957)				(65,957)
Roadways:					
Pavement	(590,530)	(209,812)			(800,342)
Traffic Signals	(95,152)	(16,034)			(111,186)
Street Trees		(313)			(313)
Parks and Recreation	(140,729)	(40,945)			(181,674)
Total accumulated depreciation	<u>(1,707,843)</u>	<u>(444,194)</u>			<u>(2,152,037)</u>
Net capital assets being depreciated	<u>7,374,154</u>	<u>(444,194)</u>		<u>9,482,975</u>	<u>16,412,935</u>
Capital assets, net	<u>\$20,868,867</u>	<u>\$461,315</u>	<u>(\$9,441)</u>		<u>\$21,320,741</u>

Included in the balances above are certain assets that are designated for public purposes and the City anticipates that the assets will ultimately be conveyed to the City.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

E. LONG-TERM DEBT

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 1, 2012.

1. Current Year Transaction and Balances

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond transactions were as follows:

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2003 Tax Allocation Bonds 3.97-6.32%, due 9/01/2028	\$8,500,000	\$6,685,000	(\$260,000)	\$6,425,000	\$275,000
2008 Subordinate Tax Allocation Bonds 4.00-5.00%, due 9/1/2038	25,095,000	24,785,000	(350,000)	24,435,000	385,000
Total		<u>\$31,470,000</u>	<u>(\$610,000)</u>	<u>\$30,860,000</u>	<u>\$660,000</u>

2. Redevelopment Agency 2003 Tax Allocation Bonds and 2008 Subordinate Tax Allocation Bonds

On December 4, 2003, the Agency issued Tax Allocation Bonds to refund and defease outstanding 1999 Tax Allocation Revenue Bonds issued by the County prior to the transfer of the Oakley Project to the Oakley Redevelopment Agency when formed in 2001, and to provide financing for various redevelopment projects. The Bonds are secured by the Agency's tax increment revenue. Principal is payable annually and the interest is payable semi-annually through 2029. A portion of the proceeds from the 2003 Bonds was placed in an irrevocable trust to provide all the future debt service payments of the defeased 1999 Bonds, and the 1999 Bonds were called in August 2009.

On May 10, 2008, the Agency issued Subordinate Tax Allocation Bonds, Series 2008A, to provide financing for various redevelopment projects. The bonds are secured by the Agency's tax increment, however, the 2008A Bonds are subordinated to the 2003 Bonds. Principal is payable annually and the interest is payable semi-annually through 2039.

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund and certain tax increment pass through payments, for the repayment of both the 2003 and 2008A Tax Allocation Bonds (non-housing revenues). The Agency has also pledged tax increment revenues required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Capital Projects Fund (housing revenue) for the repayment of a portion of the 2003 Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of the \$53,527,314 remaining debt service on the Bonds above, which is scheduled to occur in 2039. With the issuance of the 2008 Bonds, projected non-housing tax increment revenues are expected to provide coverage over debt service of 217% over the life of the two Bonds.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2014 calculated by the County Auditor-Controller was \$2,707,978 and the total received by the Successor Agency for fiscal year 2014 debt service was \$2,180,805, which represented of 99% of the \$2,195,609 of debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

3. *Debt Service Requirements*

Annual debt service requirements for the Bonds are shown below:

For the Year Ending June 30	Principal	Interest
2015	\$660,000	\$1,555,803
2016	715,000	1,522,964
2017	775,000	1,487,494
2018	835,000	1,449,293
2019	900,000	1,407,984
2020 - 2024	5,110,000	6,304,296
2025 - 2029	6,445,000	4,775,983
2030 - 2034	6,775,000	3,041,125
2035 - 2039	<u>8,645,000</u>	<u>1,122,372</u>
	<u>\$30,860,000</u>	<u>\$22,667,314</u>

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

F. COMMITMENTS AND CONTINGENCIES

1. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance in the future cannot be determined at this time.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office conducted a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011, but the results of that review have not been issued, and therefore the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

3. Litigation and Settlement

AB1484 requires the Successor Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities.

In August 2013, the State Department of Finance (DOF) completed its review of the DDR of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The DDR indicated assets totaling \$1,956 were to be returned, but that amount was adjusted by the DOF to \$537,576. The Successor Agency complied with a portion the DOF's determination by transmitting a payment of \$71,556 to the County Auditor-Controller in August 2013, but the City disputed the remaining balance due of \$466,020.

In October 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to \$952,264. The City disputed the adjustments.

CITY OF OAKLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For fiscal year ended June 30, 2014

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

All of the DOF adjustments were for disallowed expenditures and obligations. The City filed suit against the DOF, claiming amongst other things, the transactions undertaken pursuant to the Cooperation Agreement between the City and the Redevelopment Agency prior to the elimination of AB1x27 that was originally passed as a companion bill with AB1x26, that allowed continued operations of the Redevelopment Agency subject to certain conditions that the subject expenditures and obligations were enforceable obligations of the Successor Agency, and that the DOF exceeded its authority in disallowing them. The State and the County, as an interested party in the matter, filed responses to the City's complaint.

In July 2014, the City entered into a settlement agreement with the State Department of Finance and the Contra Costa County Auditor-Controller to resolve the dispute discussed above. With the full execution of the settlement agreement, the litigation was formally dismissed on July 23, 2014. Under the terms of the settlement agreement, the City agreed to transfer \$1,450,500 to the Successor Agency that represents the value of the Development and Disposition Agreement related to the Manuel's Five Star Restaurant, Inc., less \$124,500 for administrative allowance and bond administration expenses previously withheld by the Department of Finance. With the transfer of funds, the City acquired all rights and interest in the DDA, and the associated loan receivable from Manuel's Five Star Restaurant, Inc.

After the transfer of funds from the City to the Successor Agency, the Successor Agency was required to remit \$1,418,284 to the County Auditor-Controller, representing the total of the amounts remaining in the Low and Moderate Housing Fund DDR (\$466,020) and the DDR of all other funds (\$952,264). The Successor Agency remitted the payments on August 14, 2014, and the Department of Finance issued the Successor Agency a Finding of Completion on August 15, 2014.

In addition, the City agreed that it will not pursue the repayment of the advance to the former Redevelopment Agency for a housing project from the Successor Agency discussed in Note 15A above; and will not seek payment from the Successor Agency for City administration of certain housing programs.

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

This fund accounts for fees assessed on new development to provide street and road improvements.

CITY OF OAKLEY
MAJOR GOVERNMENTAL FUNDS OTHER THAN THE
GENERAL FUND AND SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	TRAFFIC IMPACT FEES		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Developer fees	\$1,500,000	\$1,415,372	(\$84,628)
Use of money and property	5,000	21,718	16,718
Total Revenues	1,505,000	1,437,090	(67,910)
EXPENDITURES			
Current:			
Public Works	48,308	47,989	319
Capital outlay	6,632,758	3,105,925	3,526,833
Total Expenditures	6,681,066	3,153,914	3,527,152
NET CHANGE IN FUND BALANCES			
Fund balance at beginning of year		<u>6,756,569</u>	
Fund balance at end of year		<u>\$5,039,745</u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GAS TAX

This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Sections 2105, 2106, 2107 and 2107.5. The allocations must be spent for street maintenance and construction.

NPDES

This fund accounts for storm water utility fees assessed on properties city-wide and used to pay for the “National Pollution Discharge Elimination System” to prevent further polluting of our streams and bays as mandated by the Federal government.

DEVELOPER DEPOSITS

This fund accounts for deposits received from contractors and property owners to offset the cost of providing certain Community Development services including processing applications and reviewing grading plans of applicant projects.

YOUTH DEVELOPMENT

This fund accounts for youth development grant programs.

COMMUNITY FACILITIES DISTRICT #1

This fund accounts for maintenance and operations related to drainage and flood control at the Cypress Grove development.

OAKLEY WELCOMING

This fund accounts for the activities associated with the grant-funded Oakley Welcoming program under the You Me We Oakley! brand.

AG CONSERVATION

This fund accounts for the activities associated with establishing and carrying out the City’s agricultural conservation program.

CAPITAL PROJECTS FUNDS

MEASURE J

This fund accounts for the City’s portion of the half-cent County-wide sales tax levied to fund transportation improvements to local streets.

PARK IMPACT FEES

This fund accounts for fees assessed on new development to provide for park acquisition and development.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CHILDCARE IMPACT FEES

This fund accounts for fees assessed on new developments to provide for childcare facilities.

PUBLIC FACILITIES IMPACT FEE

This fund accounts for fees assessed on new development to provide for public facilities.

MAIN STREET

This fund accounts for Main Street related projects funded by the General Fund.

CYPRESS GROVE CAPITAL PROJECT

This fund accounts for funds from the 2004-1 Limited Obligation Bonds used to purchase infrastructure assets built by developers in the 2004-1 Assessment District area.

GENERAL CAPITAL PROJECTS

This fund accounts for revenues and expenditures related to General Fund contributions, grants and other funding sources for capital projects not accounted for in other capital projects funds. It accounts for the total expenditures for each project charged to this fund.

FIRE IMPACT FEES

This fund accounts for fees assessed on new developments to provide for fire protection capital facilities.

DEBT SERVICE FUNDS

2006 CERTIFICATES OF PARTICIPATION

This fund accounts for principal and interest payments on the City's 2006 Certificates of Participation.

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CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Gas Tax	NPDES	Developer Deposits	Youth Development	Community Facilities District #1
ASSETS					
Cash and investments available for operations	\$857,013	\$1,291,595	\$934,993	\$77,937	\$1,501,700
Cash with fiscal agent					
Accounts receivable, net	27,225		78,380		
Interest receivable	526	558		31	651
Prepays and deposits					
Advances to other funds					
Total Assets	\$884,764	\$1,292,153	\$1,013,373	\$77,968	\$1,502,351
LIABILITIES					
Accounts payable	\$83,879	\$58,223	\$4,262	\$2,122	\$2,578
Accrued liabilities					
Deposits payable			1,009,111		
Unearned revenue				75,846	
Advances from other funds					
Total Liabilities	83,879	58,223	1,013,373	77,968	2,578
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - interest on advances to other funds					
Total Deferred Inflows of Resources	800,885	1,233,930	1,499,773		
FUND BALANCES					
Nonspendable					
Restricted	800,885	1,233,930			1,499,773
Assigned					
Unassigned					
Total Fund Balance	800,885	1,233,930	1,499,773		
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$884,764	\$1,292,153	\$1,013,373	\$77,968	\$1,502,351

SPECIAL REVENUE FUNDS

CAPITAL PROJECTS FUNDS

Oakley Welcoming	Ag Conservation	Measure J	Park Impact Fees	Childcare Impact Fees	Public Facilities Impact Fee	Main Street
\$108,372	\$1,724	\$416,017	\$45,896	\$591,544	\$1,954	\$719,987
48	1	508,671 284	(21)	268	(51)	
			506,138		162,005	
<u>\$108,420</u>	<u>\$1,725</u>	<u>\$924,972</u>	<u>\$552,013</u>	<u>\$591,812</u>	<u>\$163,908</u>	<u>\$719,987</u>
\$6,107 683		\$9,744				\$51,530
101,630					\$150,000	
<u>108,420</u>		<u>9,744</u>			<u>150,000</u>	<u>51,530</u>
			\$71,546		22,901	
			71,546		22,901	
\$1,725		915,228	480,467	\$591,812		668,457
					(8,993)	
1,725		915,228	480,467	591,812	(8,993)	668,457
<u>\$108,420</u>	<u>\$1,725</u>	<u>\$924,972</u>	<u>\$552,013</u>	<u>\$591,812</u>	<u>\$163,908</u>	<u>\$719,987</u>

(Continued)

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	
	Cypress Grove Capital Project	General Capital Projects	Fire Impact Fees	2006 Certificates of Participation	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments available for operations		\$618,394	\$81,704		\$7,248,830
Cash with fiscal agent				\$574,685	574,685
Accounts receivable, net					614,276
Interest receivable		295	37	93	2,720
Prepays and deposits					
Advances to other funds					668,143
Total Assets		\$618,689	\$81,741	\$574,778	\$9,108,654
LIABILITIES					
Accounts payable		\$151,828			\$370,273
Accrued liabilities					683
Deposits payable					1,009,111
Unearned revenue		57,566			235,042
Advances from other funds					150,000
Total Liabilities		209,394			1,765,109
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - interest on advances to other funds					94,447
Total Deferred Inflows of Resources					94,447
FUND BALANCES					
Nonspendable		\$565,497	\$81,741	\$574,778	6,745,836
Restricted					668,457
Assigned		(156,202)			(165,195)
Unassigned					
Total Fund Balance		409,295	81,741	574,778	7,249,098
Total Liabilities, Deferred Inflows of Resources		\$618,689	\$81,741	\$574,778	\$9,108,654

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CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Gas Tax	NPDES	Developer Deposits	Youth Development	Community Facilities District #1
REVENUES					
Property taxes			\$484,727		
Intergovernmental:					
Other	\$1,050,803				
Developer fees			\$193,050		
Special assessments					\$288,486
Use of money and property	1,744	3,953		\$86	4,540
Miscellaneous	27,225	90		26,880	
Total Revenues	1,079,772	488,770	193,050	26,966	293,026
EXPENDITURES					
Current:					
Community Development			193,050		
Public Works	424,787	403,951			71,790
Recreation				26,966	
Capital outlay	992,425				2,705
Debt Service:					
Principal					
Interest and fiscal charges					
Total Expenditures	1,417,212	403,951	193,050	26,966	74,495
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(337,440)	84,819			218,531
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)		(155,745)			
Total Other Financing Sources (Uses)	(155,745)				
NET CHANGE IN FUND BALANCES	(493,185)	84,819			218,531
Fund balance (deficit) at beginning of year	1,294,070	1,149,111			1,281,242
Fund balances (deficit) at end of year	\$800,885	\$1,233,930			\$1,499,773

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS			
Oakley Welcoming	Ag Conservation	Measure J	Park Impact Fees	Childcare Impact Fees	Public Facilities Impact Fee	Main Street
\$143	\$7	989	\$508,671	\$533,414	\$513,805	
72,031						
72,174	7	509,660	533,414	847	(198)	
72,174	3,700	76,318	3,253	350,090	16,859	\$2,438
		467,537	15,275	9,558		52,031
72,174	3,700	543,855	18,528	359,648	17,041	54,469
(3,693)	(34,195)	514,886	(358,801)	496,566		(54,469)
						25,000
				(569,679)		
				(569,679)		25,000
(3,693)	(34,195)	514,886	(358,801)	(73,113)		(29,469)
5,418	949,423	(34,419)	950,613	64,120		697,926
\$1,725	\$915,228	\$480,467	\$591,812	(\$8,993)		\$668,457

(Continued)

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Cypress Grove Capital Project	General Capital Projects	Fire Impact Fees	2006 Certificates of Participation	
REVENUES					
Property taxes					\$484,727
Intergovernmental:					
Other					2,092,888
Developer fees		\$212,364			919,219
Special assessments					288,486
Use of money and property	\$98	790	\$108	\$434	13,541
Miscellaneous					126,226
Total Revenues	98	213,154	108	434	3,925,087
EXPENDITURES					
Current:					
Community Development			1,104		561,103
Public Works	89,456				1,075,693
Recreation					99,140
Capital outlay		582,496			2,122,027
Debt Service:					
Principal			255,000		255,000
Interest and fiscal charges			315,113		315,295
Total Expenditures	89,456	582,496	1,104	570,113	4,428,258
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,358)	(369,342)	(996)	(569,679)	(503,171)
OTHER FINANCING SOURCES (USES)					
Transfers in		316,212		569,679	910,891
Transfers (out)		(807)			(726,231)
Total Other Financing Sources (Uses)		315,405		569,679	184,660
NET CHANGE IN FUND BALANCES	(89,358)	(53,937)	(996)		(318,511)
Fund balance (deficit) at beginning of year	89,358	463,232	82,737	574,778	7,567,609
Fund balances (deficit) at end of year		\$409,295	\$81,741	\$574,778	\$7,249,098

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CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	GAS TAX			N.P.D.E.S.		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes				\$460,000	\$484,727	\$24,727
Intergovernmental:						
Other	\$1,032,500	\$1,050,803	\$18,303			
Developer fees						
Special assessments						
Use of money and property	500	1,744	1,244	1,500	3,953	2,453
Miscellaneous		27,225	27,225		90	90
Total Revenues	1,033,000	1,079,772	46,772	461,500	488,770	27,270
EXPENDITURES						
Current:						
Community Development						
Public Works	408,726	424,787	(16,061)	456,525	403,951	52,574
Recreation						
Capital Outlay	1,734,798	992,425	742,373			
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	2,143,524	1,417,212	726,312	456,525	403,951	52,574
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,110,524)	(337,440)	773,084	4,975	84,819	79,844
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(178,546)	(155,745)	22,801			
Total Other Financing Sources (Uses)	(178,546)	(155,745)	22,801			
NET CHANGE IN FUND BALANCES	(\$1,289,070)	(493,185)	\$795,885	\$4,975	84,819	\$79,844
Fund balances (deficit) at beginning of year		1,294,070			1,149,111	
Fund balances (deficit) at end of year		\$800,885			\$1,233,930	

SPECIAL REVENUE FUNDS

DEVELOPER DEPOSITS			YOUTH DEVELOPMENT			COMMUNITY FACILITIES DISTRICT #1		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$323,815	\$193,050	(\$130,765)				\$251,150	\$288,486	\$37,336
			\$27,500	\$86	\$86	1,000	4,540	3,540
				26,880	(620)			
<u>323,815</u>	<u>193,050</u>	<u>(130,765)</u>	<u>27,500</u>	<u>26,966</u>	<u>(534)</u>	<u>252,150</u>	<u>293,026</u>	<u>40,876</u>
323,815	193,050	130,765				271,553	71,790	199,763
			27,500	26,966	534	152,705	2,705	150,000
<u>323,815</u>	<u>193,050</u>	<u>130,765</u>	<u>27,500</u>	<u>26,966</u>	<u>534</u>	<u>424,258</u>	<u>74,495</u>	<u>349,763</u>
						<u>(172,108)</u>	<u>218,531</u>	<u>390,639</u>
						<u>(\$172,108)</u>	<u>218,531</u>	<u>\$390,639</u>
							<u>1,281,242</u>	
								<u>\$1,499,773</u>

(Continued)

**CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

SPECIAL REVENUE FUNDS

	OAKLEY WELCOMING			AG CONSERVATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Intergovernmental:						
Other						
Developer fees						
Special assessments						
Use of money and property		\$143	\$143		\$7	\$7
Miscellaneous	\$83,816	72,031	(11,785)			
Total Revenues	83,816	72,174	(11,642)		7	
EXPENDITURES						
Current:						
Community Development						
Public Works					\$3,700	3,700
Recreation	96,815	72,174	24,641			
Capital Outlay						
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	96,815	72,174	24,641	3,700	3,700	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,999)		12,999	(3,700)	(3,693)	
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$12,999)</u>		<u>\$12,999</u>	<u>(\$3,700)</u>	<u>(3,693)</u>	<u>\$7</u>
Fund balances (deficit) at beginning of year						
Fund balances (deficit) at end of year						

CAPITAL PROJECTS FUNDS

MEASURE J			PARK IMPACT FEES			CHILDCARE IMPACT FEES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$480,059	\$508,671	\$28,612	\$557,000	\$533,414	(\$23,586)			
1,500	989	(511)						\$847
<u>481,559</u>	<u>509,660</u>	<u>28,101</u>	<u>557,000</u>	<u>533,414</u>	<u>(23,586)</u>			<u>847</u>
148,761	76,318	72,443	5,000	3,253	1,747	\$925,090	350,090	575,000
1,156,866	467,537	689,329	80,474	15,275	65,199	9,560	9,558	2
<u>1,305,627</u>	<u>543,855</u>	<u>761,772</u>	<u>85,474</u>	<u>18,528</u>	<u>66,946</u>	<u>934,650</u>	<u>359,648</u>	<u>575,002</u>
<u>(824,068)</u>	<u>(34,195)</u>	<u>789,873</u>	<u>471,526</u>	<u>514,886</u>	<u>43,360</u>	<u>(934,650)</u>	<u>(358,801)</u>	<u>575,849</u>
<u><u>(\$824,068)</u></u>	<u><u>(34,195)</u></u>	<u><u>\$789,873</u></u>	<u><u>\$471,526</u></u>	<u><u>514,886</u></u>	<u><u>\$43,360</u></u>	<u><u>(\$934,650)</u></u>	<u><u>(358,801)</u></u>	<u><u>\$575,849</u></u>
	949,423			(34,419)			950,613	
	<u><u>\$915,228</u></u>			<u><u>\$480,467</u></u>			<u><u>\$591,812</u></u>	

(Continued)

CITY OF OAKLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

CAPITAL PROJECTS FUNDS

	PUBLIC FACILITIES IMPACT FEE			MAIN STREET		
			Variance Positive (Negative)			Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes						
Intergovernmental:						
Other						
Developer fees	\$674,750	\$513,805	(\$160,945)			
Special assessments						
Use of money and property	250	(198)	(448)			
Miscellaneous						
Total Revenues	675,000	513,607	(161,393)			
EXPENDITURES						
Current:						
Community Development	16,860	16,859	1			
Public Works				\$2,438	\$2,438	
Recreation						
Capital Outlay				694,336	52,031	\$642,305
Debt Service:						
Principal						
Interest and fiscal charges		182	(182)			
Total Expenditures	16,860	17,041	(181)	696,774	54,469	642,305
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	658,140	496,566	(161,574)	(696,774)	(54,469)	642,305
OTHER FINANCING SOURCES (USES)						
Transfers in					25,000	25,000
Transfers (out)						
Total Other Financing Sources (Uses)	(571,835)	(569,679)	2,156			
NET CHANGE IN FUND BALANCES	\$86,305	(73,113)	(\$159,418)	(\$696,774)	(29,469)	\$667,305
Fund balances (deficit) at beginning of year		64,120			697,926	
Fund balances (deficit) at end of year			(\$8,993)			\$668,457

CAPITAL PROJECTS FUNDS						DEBT SERVICE FUND			
GENERAL CAPITAL PROJECTS			FIRE IMPACT FEE			2006 CERTIFICATES OF PARTICIPATION			
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	
\$257,500 192,566	\$212,364 19,798	(\$257,500) 19,798							
790	790		\$100	\$108	\$8		\$434	\$434	
<u>450,066</u>	<u>213,154</u>	<u>(236,912)</u>	<u>100</u>	<u>108</u>	<u>8</u>		<u>434</u>	<u>434</u>	
			2,000	1,104	896				
1,400,912	582,496	818,416				\$255,000 316,835	255,000 315,113	1,722	
<u>1,400,912</u>	<u>582,496</u>	<u>818,416</u>	<u>2,000</u>	<u>1,104</u>	<u>896</u>	<u>571,835</u>	<u>570,113</u>	<u>1,722</u>	
<u>(950,846)</u>	<u>(369,342)</u>	<u>581,504</u>	<u>(1,900)</u>	<u>(996)</u>	<u>904</u>	<u>(571,835)</u>	<u>(569,679)</u>	<u>2,156</u>	
316,212	316,212					571,864	569,679	(2,185)	
<u>(807)</u>	<u>(807)</u>								
316,212	315,405					571,864	569,679	(2,185)	
<u>(\$634,634)</u>	<u>(53,937)</u>	<u>\$580,697</u>	<u>(\$1,900)</u>	<u>(996)</u>	<u>\$904</u>	<u>\$29</u>		<u>(\$29)</u>	
	<u>463,232</u>			<u>82,737</u>			<u>574,778</u>		
	<u>\$409,295</u>			<u>\$81,741</u>			<u>\$574,778</u>		

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

EQUIPMENT REPLACEMENT

This fund is used to finance and account for the replacement of equipment used by City departments.

CAPITAL FACILITIES MAINTENANCE AND REPLACEMENT

This fund is used to account for the maintenance and replacement of the City's capital facilities used by City departments.

CITY OF OAKLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Equipment Replacement	Capital Facilities Maintenance and Replacement	Total
ASSETS			
Current:			
Cash and investments available for operations	\$1,419,123	\$235,515	\$1,654,638
Receivables:			
Interest	621	110	731
Total Current Assets	<u>1,419,744</u>	<u>235,625</u>	<u>1,655,369</u>
Noncurrent:			
Capital assets (net of accumulated depreciation)	683,248	6,907,002	7,590,250
Total Assets	<u>2,102,992</u>	<u>7,142,627</u>	<u>9,245,619</u>
LIABILITIES			
Accounts payable	23,640	2,200	25,840
Total Assets	<u>23,640</u>	<u>2,200</u>	<u>25,840</u>
NET POSITION			
Net investment in capital assets	683,248	6,907,002	7,590,250
Unrestricted	<u>1,396,104</u>	<u>233,425</u>	<u>1,629,529</u>
Total Net Position	<u><u>\$2,079,352</u></u>	<u><u>\$7,140,427</u></u>	<u><u>\$9,219,779</u></u>

**CITY OF OAKLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Equipment Replacement	Capital Facilities Maintenance and Replacement	Total
OPERATING REVENUES			
Charges for services	\$249,000		\$249,000
Total Operating Revenues	249,000		249,000
OPERATING EXPENSES			
Supplies	33,429	\$38,537	71,966
Depreciation	265,694	240,783	506,477
Total Operating Expenses	299,123	279,320	578,443
Operating Income (Loss)	(50,123)	(279,320)	(329,443)
NONOPERATING REVENUES (EXPENSES)			
Interest income	4,382	341	4,723
Loss on disposition of property	(29,975)		(29,975)
Total Nonoperating Revenues	(25,593)	341	(25,252)
Income (Loss) Before Contributions	(75,716)	(278,979)	(354,695)
Contributions	136,021		136,021
Change in net position	60,305	(278,979)	(218,674)
BEGINNING NET POSITION	2,019,047	7,419,406	9,438,453
ENDING NET POSITION	\$2,079,352	\$7,140,427	\$9,219,779

CITY OF OAKLEY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Equipment Replacement	Capital Facilities Maintenance and Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$249,000		\$249,000
Payments to suppliers	(9,789)	(\$36,337)	(46,126)
 Cash Flows from Operating Activities	 <u>239,211</u>	 <u>(36,337)</u>	 <u>202,874</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(76,643)		(76,643)
Proceeds from sale of capital assets	4,065		4,065
 Cash Flows from Noncapital Financing Activities	 <u>(72,578)</u>	 <u>(72,578)</u>	 <u>(72,578)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	4,337	356	4,693
 Net Cash Flows	 <u>170,970</u>	 <u>(35,981)</u>	 <u>134,989</u>
Cash and investments at beginning of period	1,248,153	271,496	1,519,649
 Cash and investments at end of period	 <u>\$1,419,123</u>	 <u>\$235,515</u>	 <u>\$1,654,638</u>
NONCASH TRANSACTIONS			
Contribution of capital assets	\$136,021		\$136,021
Retirement of capital assets	<u>\$34,040</u>		<u>\$34,040</u>
 Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:			
Operating income (loss)	(\$50,123)	(\$279,320)	(\$329,443)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	265,694	240,783	506,477
Net change in liabilities:			
Accounts payable	23,640	2,200	25,840
 Cash Flows from Operating Activities	 <u>\$239,211</u>	 <u>(\$36,337)</u>	 <u>202,874</u>

AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

ASSESSMENT DISTRICT 2004-1

This fund accounts for Assessment District 2004-1 special assessment collections and debt service payments.

REGIONAL MITIGATION FEES

This fund accounts for fees established by the County to fund future County capital facilities from development. The fees are collected via building permits and submitted to the County.

ASSESSMENT DISTRICT 2006-1

This fund accounts for Assessment District 2006-1 special assessment collections and debt service payments.

**CITY OF OAKLEY
AGENCY FUNDS**
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Assessment District 2004-1				
Assets				
Cash and investments	\$969,181	\$1,143,717	\$1,072,747	\$1,040,151
Cash with fiscal agent	1,203,964	62,157		1,266,121
Interest receivable	324	371	324	371
Total Assets	\$2,173,469	\$1,206,245	\$1,073,071	\$2,306,643
Liabilities				
Due to bondholders	\$2,173,469	\$1,206,245	\$1,073,071	\$2,306,643
Total Liabilities	\$2,173,469	\$1,206,245	\$1,073,071	\$2,306,643
Regional Mitigation Fees Fund				
Assets				
Cash and investments	\$457,990	\$4,507,485	\$4,530,145	\$435,330
Liabilities				
Due to other agencies	\$457,990	\$4,507,485	\$4,530,145	\$435,330
Total Liabilities	\$457,990	\$4,507,485	\$4,530,145	\$435,330
Assessment District 2006-1				
Assets				
Cash and investments	\$515,910	\$759,997	\$743,870	\$532,037
Cash with fiscal agent	745,819	44		745,863
Interest receivable	159	164	159	164
Total Assets	\$1,261,888	\$760,205	\$744,029	\$1,278,064
Liabilities				
Due to bondholders	\$1,261,888	\$760,205	\$744,029	\$1,278,064
Total Liabilities	\$1,261,888	\$760,205	\$744,029	\$1,278,064
Totals - All Agency Funds				
Assets				
Cash and investments	\$1,943,081	\$6,411,199	\$6,346,762	\$2,007,518
Cash with fiscal agent	1,949,783	62,201		2,011,984
Interest receivable	483	535	483	535
Total Assets	\$3,893,347	\$6,473,935	\$6,347,245	\$4,020,037
Liabilities				
Due to other agencies	\$457,990	\$4,507,485	\$4,530,145	\$435,330
Due to bondholders	3,435,357	1,966,450	1,817,100	3,584,707
Total Liabilities	\$3,893,347	\$6,473,935	\$6,347,245	\$4,020,037

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Former Redevelopment Agency Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

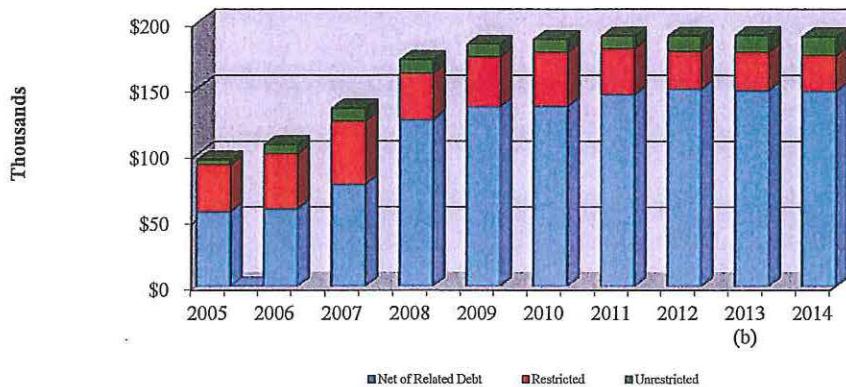
1. Budgeted Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF OAKLEY
Net Position by Component (000's)
Last Ten Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (b)	2014
Primary government										
<i>Governmental activities</i>										
Net investment in capital assets	\$56,504	(a)	\$58,624	\$76,945	\$126,106	\$136,077	\$136,320	\$145,396	\$149,394	\$148,296
Restricted	35,699		41,703	48,240	35,170	37,745	40,968	34,572	28,647	28,996
Unrestricted	3,659		7,072	9,894	10,473	9,727	9,979	9,713	11,462	12,975
Total governmental activities net position	<u>\$95,862</u>		<u>\$107,399</u>	<u>\$135,079</u>	<u>\$171,749</u>	<u>\$183,549</u>	<u>\$187,267</u>	<u>\$189,681</u>	<u>\$189,503</u>	<u>\$190,267</u>
										<u>\$189,254</u>

NOTES:

(a) The City recorded historical infrastructure balances in fiscal year 2005.

(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

CITY OF OAKLEY
Changes in Net Position (000's)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

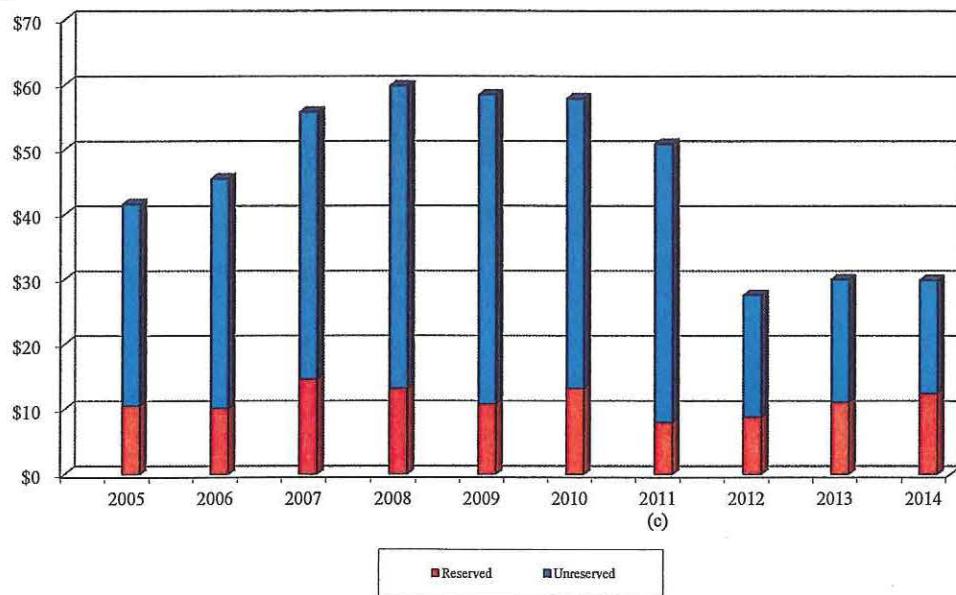
	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (e)	2014
Expenses										
Governmental Activities:										
Legislative	\$642	\$409	\$370	\$574	\$835	\$492	\$500	\$466	\$492	\$446
Administrative Services	1,246	1,225	957	1,043	986	872	913	769	973	1,301
Community Development	12,360	14,592	11,308	7,914 (a)	7,258	2,572 (b)	1,830	1,711	1,802	1,819
Public Works				3,074 (a)	3,994	8,687 (b)	9,181	12,507 (c)	9,631	10,177
Redevelopment and Economic Development	1,897	1,625	3,147	2,511	2,052	3,610	2,023	932 (d)		
Housing Programs								9	8	
Law Enforcement	4,270	5,039	5,530	6,703	7,228	7,280	7,259	7,462	7,338	7,694
Recreation	489	682	543	313	464	352	273	360	420	478
Interest and fiscal charges	515	495	890	2,383	2,012	2,030	2,000	606 (d)	324	317
Total Governmental Activities Expenses	<u>21,419</u>	<u>24,067</u>	<u>22,745</u>	<u>24,515</u>	<u>24,829</u>	<u>25,895</u>	<u>23,979</u>	<u>24,813</u>	<u>20,989</u>	<u>22,240</u>
Total Primary Government Expenses	<u><u>\$21,419</u></u>	<u><u>\$24,067</u></u>	<u><u>\$22,745</u></u>	<u><u>\$24,515</u></u>	<u><u>\$24,829</u></u>	<u><u>\$25,895</u></u>	<u><u>\$23,979</u></u>	<u><u>\$24,813</u></u>	<u><u>\$20,989</u></u>	<u><u>\$22,240</u></u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
Administrative Services	\$310	\$556	\$689	\$271	\$164	\$239	\$156	\$154	\$235	\$266
Community Development	6,527	9,846	8,190	3,606	2,010	1,954	1,341	1,186	1,461	1,154
Public Works				2,780	3,062	3,307	3,209	3,266	3,391	3,499
Law Enforcement	681	915	1,654	2,070	2,231	2,328	2,426	2,718	3,038	3,232
Recreation	36	39	37	31	41	47	42	74	54	69
Operating Grants and Contributions	1,649	1,061	1,153	799	1,196	1,225	1,116	1,630	1,371	1,503
Capital Grants and Contributions	19,658	9,260	20,977	27,856	12,839	8,671	5,940	8,433	3,360	2,625
Total Government Activities Program Revenues	<u>28,861</u>	<u>21,677</u>	<u>32,700</u>	<u>37,413</u>	<u>21,543</u>	<u>17,771</u>	<u>14,230</u>	<u>17,461</u>	<u>12,910</u>	<u>12,348</u>
Total Primary Government Program Revenues	<u><u>\$28,861</u></u>	<u><u>\$21,677</u></u>	<u><u>\$32,700</u></u>	<u><u>\$37,413</u></u>	<u><u>\$21,543</u></u>	<u><u>\$17,771</u></u>	<u><u>\$14,230</u></u>	<u><u>\$17,461</u></u>	<u><u>\$12,910</u></u>	<u><u>\$12,348</u></u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$7,442</u>	<u>(\$2,390)</u>	<u>\$9,955</u>	<u>\$12,898</u>	<u>(\$3,286)</u>	<u>(\$8,124)</u>	<u>(\$9,749)</u>	<u>(\$7,352)</u>	<u>(\$8,079)</u>	<u>(\$9,892)</u>
Total Primary Government Net Expense	<u><u>\$7,442</u></u>	<u><u>(\$2,390)</u></u>	<u><u>\$9,955</u></u>	<u><u>\$12,898</u></u>	<u><u>(\$3,286)</u></u>	<u><u>(\$8,124)</u></u>	<u><u>(\$9,749)</u></u>	<u><u>(\$7,352)</u></u>	<u><u>(\$8,079)</u></u>	<u><u>(\$9,892)</u></u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$5,964	\$7,423	\$9,579	\$10,096	\$9,652	\$7,370	\$7,050	\$5,561 (d)	\$4,359	\$4,499
Sales Taxes	1,081	1,194	1,268	1,617	1,466	1,343	1,413	1,590	1,618	1,521
Motor Vehicle In-Lieu	876	625	167	150	121	109	159	18	18	16
Transient Occupancy Tax	184	208	220	217	164	128	118	165	196	195
Nonregulatory Franchise and Business	472	462	558	584	634	726	1,062	1,136	1,222	1,341
Interest Earnings	1,722	1,676	3,412	2,774	1,915	995	883	653	371	436
Other	471	1,468	2,522	1,072	1,134	1,171	1,477	873	1,058	871
Extraordinary item								(2,820) (d)		
Total Government Activities	<u>10,770</u>	<u>13,056</u>	<u>17,726</u>	<u>16,510</u>	<u>15,086</u>	<u>11,842</u>	<u>12,162</u>	<u>7,176</u>	<u>8,842</u>	<u>8,879</u>
Total Primary Government	<u><u>\$10,770</u></u>	<u><u>\$13,056</u></u>	<u><u>\$17,726</u></u>	<u><u>\$16,510</u></u>	<u><u>\$15,086</u></u>	<u><u>\$11,842</u></u>	<u><u>\$12,162</u></u>	<u><u>\$7,176</u></u>	<u><u>\$8,842</u></u>	<u><u>\$8,879</u></u>
Change in Net Position										
Governmental Activities	<u>\$18,212</u>	<u>\$10,666</u>	<u>\$27,681</u>	<u>\$29,408</u>	<u>\$11,800</u>	<u>\$3,718</u>	<u>\$2,413</u>	<u>(\$176)</u>	<u>\$763</u>	<u>(\$1,013)</u>
Total Primary Government	<u><u>\$18,212</u></u>	<u><u>\$10,666</u></u>	<u><u>\$27,681</u></u>	<u><u>\$29,408</u></u>	<u><u>\$11,800</u></u>	<u><u>\$3,718</u></u>	<u><u>\$2,413</u></u>	<u><u>(\$176)</u></u>	<u><u>\$763</u></u>	<u><u>(\$1,013)</u></u>

NOTES:

- (a) The City established Public Works in fiscal year 2008. Some of the activities in this department were previously reported in Community Development and Recreation.
- (b) Capital assets previously constructed by or dedicated to Community Development were reassigned to Public Works in fiscal year 2010. As a result, depreciation expense associated with those capital assets is now reflected in Public Works.
- (c) The City conveyed a completed fire station project totaling \$3.3 million to the East Contra Costa County Fire Protection District which was recorded as an expenditure in the Statement of Activities.
- (d) The Redevelopment Agency was dissolved effective January 31, 2012 and its non-housing assets and liabilities were assumed by a Successor Agency.
- (e) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

CITY OF OAKLEY
Fund Balances of Governmental Funds (000's)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Millions



	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011 (c)	2012	2013	2014
General Fund										
Reserved	\$2,970	\$2,657	\$2,210	\$2,074	\$1,834	\$1,593				
Unreserved	3,968	5,248	7,493	5,656	4,748	5,353				
Nonspendable							\$2,847	\$2,843	\$3,301	\$3,654
Restricted							559	559	559	560
Assigned							155	100	991	331
Unassigned							4,347	5,255	6,151	7,837
Total General Fund	<u>\$6,938</u> (a)	<u>\$7,905</u>	<u>\$9,703</u>	<u>\$7,730</u>	<u>\$6,582</u>	<u>\$6,946</u>	<u>\$7,908</u>	<u>\$8,757</u>	<u>\$11,002</u>	<u>\$12,382</u> (b)
All Other Governmental Funds										
Reserved	\$7,556	\$7,411	\$12,353	\$11,049	\$8,939	\$11,565				
Unreserved, reported in:										
Special revenue funds	9,939	2,311	3,178	5,109	6,204	7,526				
Capital project funds	17,149	27,852	30,518	35,903	36,634	31,761				
Nonspendable							\$497			
Restricted							42,404	\$19,210	\$19,898	\$18,233
Assigned							1,344	884	698	668
Unassigned							(1,339)	(1,320)	(1,645)	(1,467)
Total all other governmental funds	<u>\$34,644</u> (a)	<u>\$37,574</u>	<u>\$46,049</u>	<u>\$52,061</u>	<u>\$51,777</u>	<u>\$50,852</u>	<u>\$42,906</u>	<u>\$18,774</u> (d)	<u>\$18,951</u>	<u>\$17,434</u> (b)

NOTES:

(a) During fiscal year 2005 the City reviewed historical revenues and expenditures in the General Fund and made a number of restatements and recategorizations, primarily related to the presentation of its Impact Fee Funds.

(b) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(c) The City implemented the provisions of GASB Statement 54 in fiscal year 2011, and years prior to 2011 have not been restated to conform with the new presentation.

(d) The Redevelopment Agency was dissolved effective January 31, 2012 and its assets and liabilities were assumed by a Successor Agency on February 1, 2012, which is reported as a Fiduciary Fund. As a result, governmental fund balances are lower beginning in 2012.

CITY OF OAKLEY
Changes in Fund Balance of Governmental Funds (000's)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012 (c)	2013	2014
Revenues										
Taxes	\$7,680	\$9,197	\$11,514	\$12,403	\$11,799	\$9,017	\$9,526	\$8,344	\$7,729	\$7,446
Licenses, permits and fees	2,041	3,739	3,652	1,909	1,252	1,392	950	990	1,178	1,345
Fines and forfeitures	111	99	198	134	140	177	149	136	181	159
Use of money and property	828	1,656	3,210	2,313	1,629	673	578	418	121	231
Intergovernmental revenues	2,369	2,693	2,401	2,319	1,715	4,210	2,538	2,164	3,306	2,471
Charges for services	9,629	15,506	14,334	13,166	8,152	10,323	7,378	8,293	8,648	8,941
Other	15,479	1,648	11,522	1,071	1,133	1,171	1,384	932	1,123	971
Total Revenues	38,137	34,538	46,831	33,315	25,820	26,963	22,503	21,277	22,286	21,564
Expenditures										
Current:										
Legislative	642	419	377	567	809	462	483	452	481	433
Administrative services	1,041	1,049	893	955	878	785	783	766	918	1,110
Community development	8,721	11,753	8,895	4,014 (a)	2,575	2,338	1,788	1,677	1,771	1,787
Public works				3,074 (a)	4,627	3,877	3,682	3,641	4,015	4,608
Redevelopment and economic development	1,118	3,415	6,094	659	642	489	455	276		
Housing programs								9	8	
Law enforcement	4,147	5,130	5,599	6,633	6,952	6,955	7,002	7,437	7,186	7,458
Recreation	488	689	549	308 (a)	464	329	264	353	414	471
Pass through to County and other agencies	671	604	809	824	799	615	579	642		
SERAf payment						1,516	312			
Estimated reduction in value of property held for resale						274				
Capital outlay	8,712	6,820	21,359	40,822 (b)	6,962	7,123	10,644	5,946	4,502	5,253
Debt service:										
Principal repayment	692	673	365	610	680	720	742	465	240	255
Interest and fiscal charges	517	497	833	2,137	1,864	2,043	2,011	1,159	329	318
Total Expenditures	26,749	31,049	45,773	60,603	27,252	27,526	28,745	22,814	19,865	21,701
Excess (deficiency) of revenues over (under) expenditures	11,388	3,489	1,058	(27,288)	(1,432)	(563)	(6,242)	(1,537)	2,421	(137)
Other Financing Sources (Uses)										
Transfers in	3,531	1,507	2,925	5,530	3,560	2,110	3,214	2,100	925	1,067
Transfers (out)	(3,531)	(1,507)	(2,925)	(5,530)	(3,560)	(2,110)	(3,952)	(2,100)	(925)	(1,067)
Proceeds (loss) from sale of property		296	714	6,233		25,095			(14)	
Tax allocation bonds issued				8,500						
Certificates of participation issued										
Contribution from County										
Payments to refunded bond escrow										
Other	28									
Total other financing sources (uses)	28	296	9,214	31,328			(738)	(14)		
Special item		113								
Extraordinary item								(21,734)		
Net Change in fund balances	\$11,416	\$3,898	\$10,272	\$4,040	(\$1,432)	(\$563)	(\$6,980)	(\$23,285)	\$2,421	(\$137)
Debt service as a percentage of noncapital expenditures	7.2%	5.1%	5.2%	10.3%	12.9%	13.5%	13.0%	9.5%	3.7%	3.5%

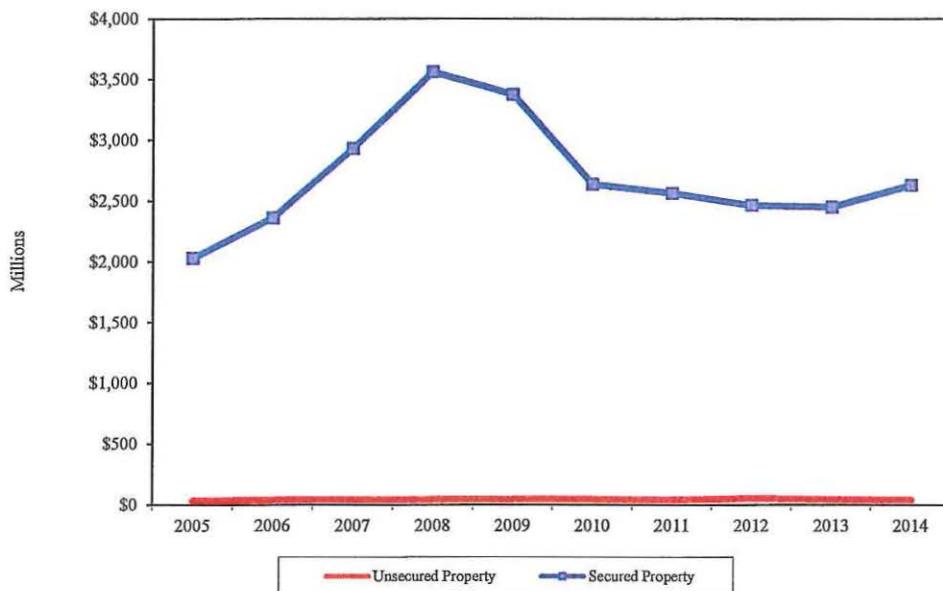
NOTES:

(a) The City established Public Works in fiscal year 2008. Some of the activities in this department were previously reported in Community Development and Recreation.

(b) Includes the use of funds from the 2004-1 and 2006-1 Assessment Districts to acquire infrastructure assets. The Assessment District Bonds are not debt of the City, and therefore proceeds from the bonds are not included in Other Financing Sources. The Districts contributed the project funds to the City to acquire the infrastructure assets which is reflected in other revenues in 2005 and 2007.

(c) The Redevelopment Agency was dissolved effective January 31, 2012 and its assets and liabilities were assumed by a Successor Agency on February 1, 2012, therefore, activities in various areas were lower in the current year, including property taxes, community development and debt service.

CITY OF OAKLEY
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY (MILLIONS)
LAST TEN FISCAL YEARS



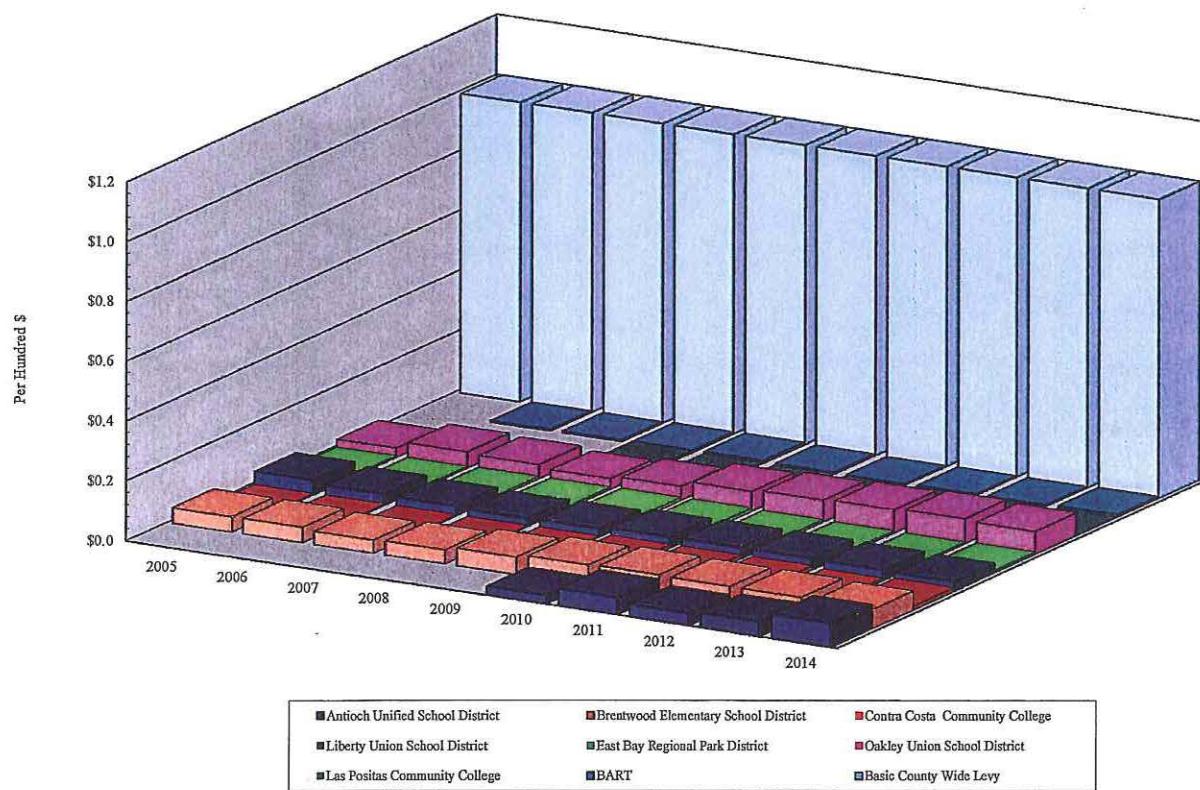
Fiscal Year	Real Property				Total Real			Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other	Secured Property	Unsecured Property	Total Assessed (a)		
2005	\$1,718	\$76	\$21	\$178	\$1,993	\$37	\$2,030	\$2,030	1%
2006	1,952	85	27	255	2,319	41	2,360	2,360	1%
2007	2,514	96	28	250	2,888	41	2,929	2,929	1%
2008	3,096	108	31	282	3,517	45	3,562	3,562	1%
2009	2,903	113	33	280	3,329	46	3,375	3,375	1%
2010	2,240	139	33	177	2,589	47	2,636	2,636	1%
2011	2,213	110	16	182	2,521	40	2,561	2,561	1%
2012	2,132	107	11	159	2,409	53	2,462	2,462	1%
2013	2,125	102	11	162	2,400	47	2,447	2,447	1%
2014	2,350	103	11	124	2,588	41	2,629	2,629	1%

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations

Notes:

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus the value of any new construction, plus an increment of no more than two percent annually. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Oakley includes 44 tax rate areas.

CITY OF OAKLEY
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



Source: Contra Costa County Auditor-Controller

CITY OF OAKLEY
Principal Property Tax Payers
Current Year and Nine Years Ago (000's)

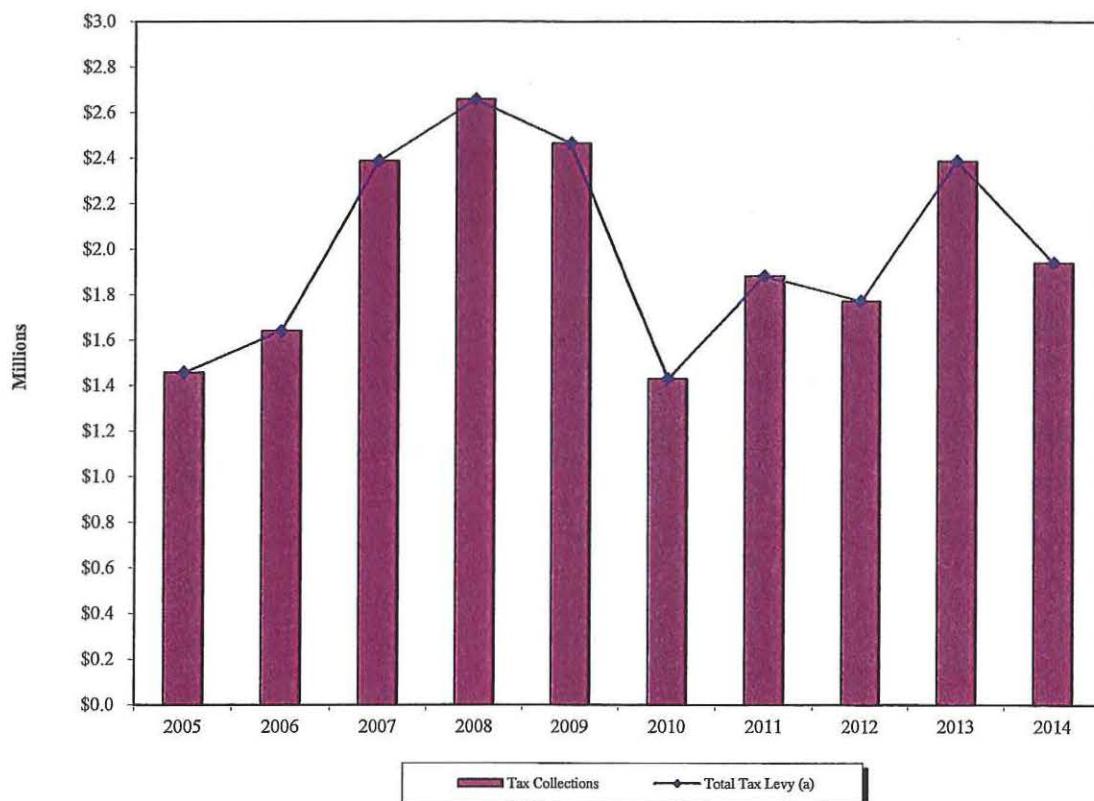
Taxpayer	2013-14			2004-05		
	Taxable Assessed Value	Rank	Percentage of Total City	Taxable Assessed Value	Rank	Percentage of Total City
			Taxable Assessed Value			Taxable Assessed Value
Cypress Square S&R Associates	\$18,019,319	1	0.69%	\$15,606,659	1	0.77%
Neroly Sports Club Investors	11,269,958	2	0.43%			
Shea Homes LP	10,094,014	3	0.38%			
Lucky No California Investor LLC	8,386,863	4	0.32%			
Shurgard Storage Center	7,909,118	5	0.30%	6,358,721	3	0.31%
Brookfield Emerson Land, LLC	6,400,000	6	0.24%			
BMS Investments 3 LLC	6,309,969	7	0.24%	5,622,707	4	0.28%
Simon-Oakley Town Center	6,119,300	8	0.23%			
HPH Properties LP	5,823,891	9	0.22%	4,358,106	8	0.21%
WEC 98D-30 LLC	5,557,605	10	0.21%	4,813,488	5	0.24%
Lucky Stores Inc.				6,392,579	2	0.31%
John E. Pessin				4,788,723	6	0.24%
Conco Land Company				4,625,603	7	0.23%
Foundation Constructors Inc.				4,070,322	9	0.20%
Emerson Dairy Inc.				3,942,207	10	0.19%
Subtotal	<u>\$85,890,037</u>		<u>3.27%</u>	<u>\$60,579,115</u>		<u>2.98%</u>

Total Net Assessed Valuation (000's):

Fiscal Year 2013-2014	\$2,629,000,000
Fiscal Year 2004-2005	\$2,030,000,000

Source: HdL Companies (Contra Costa County Assessor 2013/2014 and 2004/2005 Combined Tax Rolls)

CITY OF OAKLEY
PROPERTY TAX LEVIES AND COLLECTIONS (THOUSANDS)
LAST TEN FISCAL YEARS



Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2005	\$1,458 (b)	\$1,458	100.0%	(a)	\$1,458	100.0%
2006	1,640 (b)	1,640	100.0%	(a)	1,640	100.0%
2007	2,388	2,388	100.0%	(a)	2,388	100.0%
2008	2,659	2,659	100.0%	(a)	2,659	100.0%
2009	2,465	2,465	100.0%	(a)	2,465	100.0%
2010	1,430 (c)	1,430	100.0%	(a)	1,430	100.0%
2011	1,882	1,882	100.0%	(a)	1,882	100.0%
2012	1,773	1,773	100.0%	(a)	1,773	100.0%
2013	2,388 (c)	2,388	100.0%	(a)	2,388	100.0%
2014	1,941	1,941	100.0%	(a)	1,941	100.0%

Source: City of Oakley Records

NOTES: Amounts reported above include only the 1% basic property taxes allocated to the City. They do not include special taxes, assessments, or property taxes received in lieu of vehicle license fees.

- (a) The County apportions taxes under the alternative method of apportionment authorized under Revenue & Taxation Code sections 4701 et seq, under which the County provides the City with 100% of its tax levy. The County retains any penalty and delinquency charges collected.
- (b) Tax levies and collections for 2005 and 2006 have been reduced by a mandatory tax reallocation imposed by the State of California not reflected in other years.
- (c) \$443 thousand of the decline in the 2010 tax levy was caused by the State's borrowing of property tax revenue under the provisions of Proposition 1A; and the increase in 2013 included the repayment of the loan.

CITY OF OAKLEY
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities (in thousands)						Percentage of Personal Income (a)	Per Capita (a)		
	Jurisdictional									
	Tax Allocation Bonds	Repayment Agreement with County	Transfer Agreement Pass - Throughs	Note Payable	Certificates of Participation	Total				
2005	\$8,375	\$284	\$1,397	\$84	\$0	\$10,140	1.53%	\$359		
2006	8,195	0	1,272	0	0	9,467	1.33%	326		
2007	8,005	0	1,097	0	8,500	17,602	2.27%	552		
2008	32,905 (b)	0	872	0	8,310	42,087	4.79%	1,267		
2009	32,700	0	597	0	8,110	41,407	4.46%	1,201		
2010	32,490	0	297	0	7,900	40,687	4.36%	1,179		
2011	32,265	0	0	0	7,680	39,945	5.01%	1,121		
2012	0 (c)	0	0	0	7,450	7,450	0.82%	204		
2013	0	0	0	0	7,210	7,210	0.76%	194		
2014	0	0	0	0	6,955	6,955	0.72%	183		

Notes : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Oakley

(a) See the Demographic Statistics schedule for personal income and population data.

(b) The Redevelopment Agency issued its 2008 Subordinate Tax Allocation Bonds during fiscal year 2008.

(c) Upon the dissolution of the Redevelopment Agency effective January 31, 2012, a Successor Agency assumed the liabilities of the former Redevelopment Agency, including the Tax Allocation Bonds.

CITY OF OAKLEY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2014

2013-14 Assessed Valuation, Excluding the Redevelopment Agency \$2,360,785,389

OVERLAPPING TAX AND ASSESSMENT DEBT:	Net Debt Outstanding	Percentage Applicable To City of Oakley	Amount Applicable To City of Oakley
Contra Costa County Pension Obligations	\$258,500,000	1.786%	\$4,617,871
CCC Lease Revenue Bonds	289,802,050	1.786%	5,177,056
Bay Area Rapid Transit District Bond	218,127,299	1.786%	3,896,649
East Bay Regional Park District Bond	88,692,412	1.786%	1,584,411
Liberty Union High School District Bonds	94,467,658	18.365%	17,348,910
Brentwood Union School District Bonds	68,589,704	0.032%	21,887
Oakley Union School District Bonds	26,825,000	85.475%	22,928,620
Antioch Unified School District School Facilities Improvement District No. 1	64,662,391	5.601%	3,621,958
Contra Costa Community College District Bonds	495,035,000	1.794%	8,878,623
 TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$1,604,701,514</u>		<u>\$68,075,985</u>
 DIRECT DEBT:			
 City of Oakley Certificates of Participation	<u>\$6,955,000</u>	<u>100.000%</u>	<u>\$6,955,000</u>
 TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$75,030,985 (1)</u>

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2013-14 ASSESSED VALUATION:

Direct Debt	0.29%
Overlapping Debt	2.88%
Total Debt	3.18%

Source: HdL Coren & Cone

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

CITY OF OAKLEY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2014

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u>\$2,629,000,000</u>
---	------------------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>\$98,587,500</u>
---	---------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$0
-------------------	-----

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>0</u>
---	----------

Amount of debt subject to limit	<u>0</u>
---------------------------------	----------

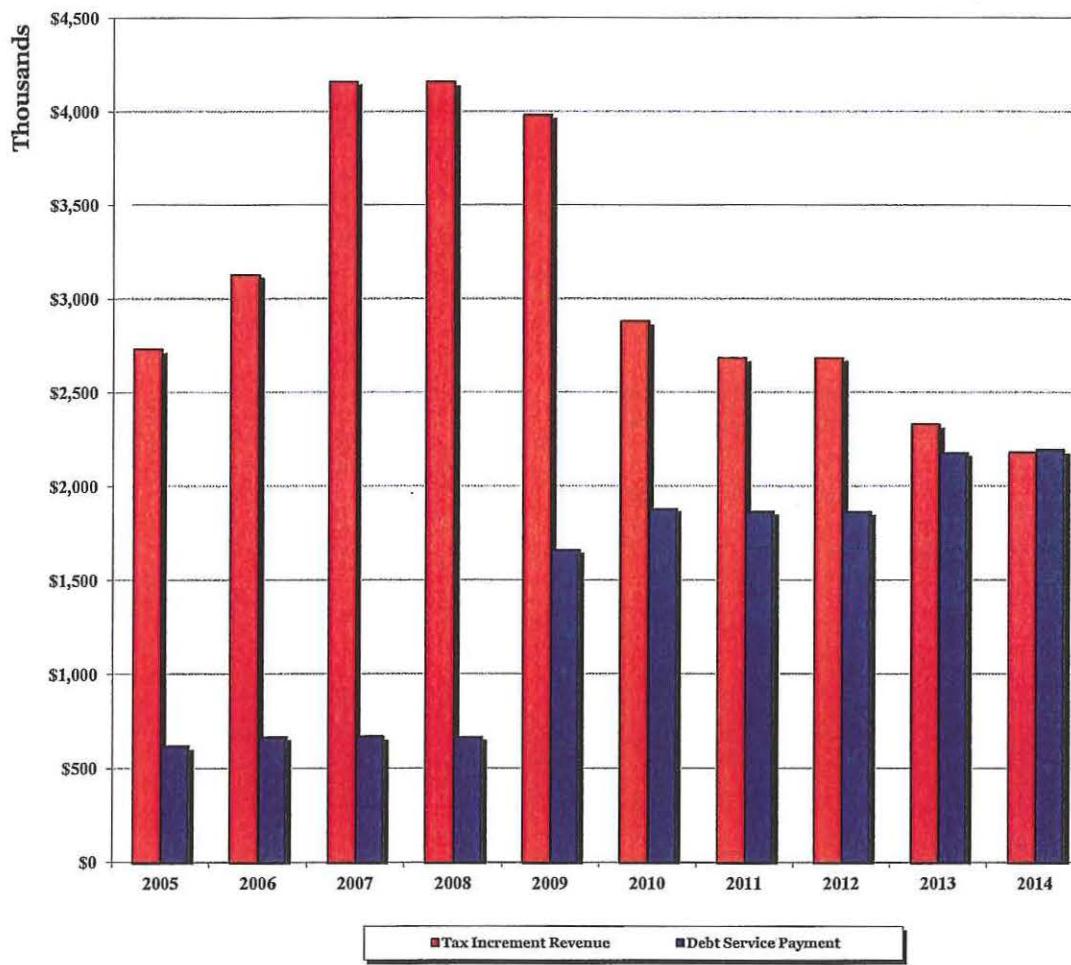
LEGAL BONDED DEBT MARGIN	<u>\$98,587,500</u>
--------------------------	---------------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2005	\$76,120,907	0	\$76,120,907	0.00%
2006	88,509,713	0	88,509,713	0.00%
2007	109,848,863	0	109,848,863	0.00%
2008	133,576,266	0	133,576,266	0.00%
2009	126,616,212	0	126,616,212	0.00%
2010	97,087,500	0	97,087,500	0.00%
2011	96,075,000	0	96,075,000	0.00%
2012	92,325,000	0	92,325,000	0.00%
2013	91,762,500	0	91,762,500	0.00%
2014	98,587,500	0	98,587,500	0.00%

NOTES:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

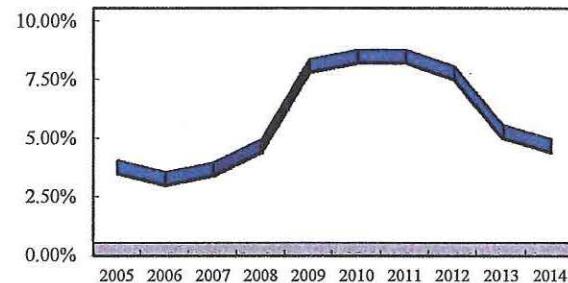
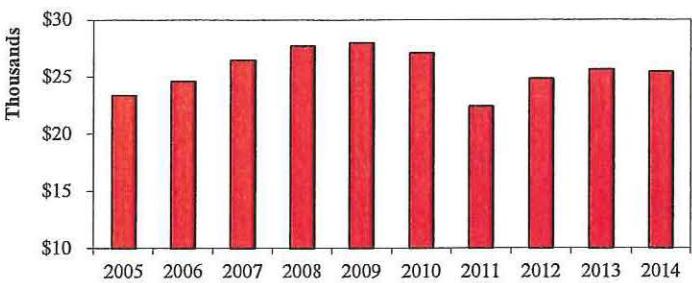
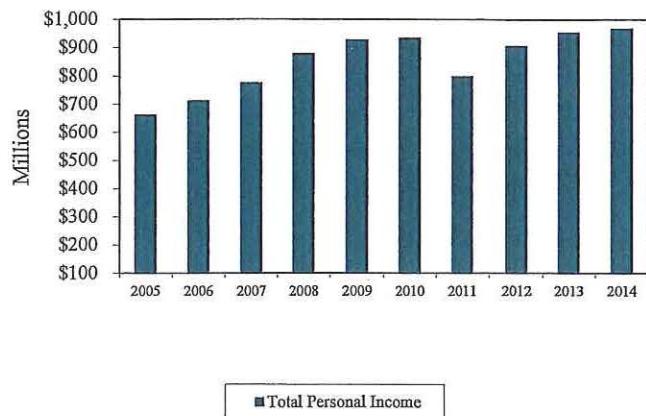
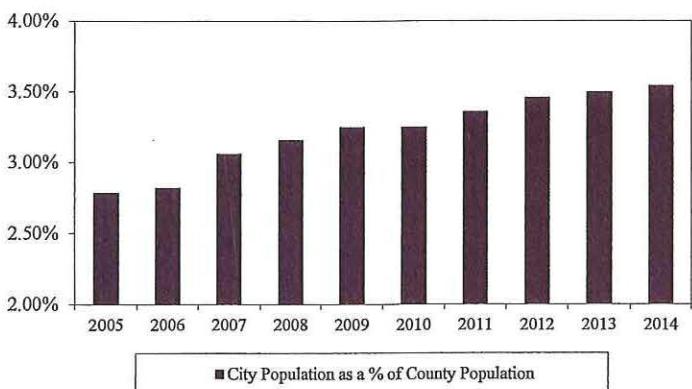
CITY OF OAKLEY
BONDED DEBT PLEDGED REVENUE COVERAGE
FORMER REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2005	\$2,732,541	\$125,000	\$493,994	\$618,994	\$4.41
2006	3,128,294	180,000	487,940	667,940	4.68
2007	4,161,415	190,000	480,595	670,595	6.21
2008	4,160,358	195,000	472,953	667,953	6.23
2009	3,982,760	205,000	1,458,624	1,663,624	2.39
2010	2,880,794	210,000	1,673,080	1,883,080	1.53
2011	2,685,494	225,000	1,644,221	1,869,221	1.44
2012	2,686,625	(a) 235,000	(a) 1,631,824	1,866,824	1.44
2013	2,332,827	(b) 560,000	(c) 1,619,876	2,179,876	1.07
2014	2,180,805	(b) 610,000	(c) 1,585,609	2,195,609	0.99

- (a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.
- (b) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.
- (c) Debt service is paid by the Successor Agency.

CITY OF OAKLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%) (a)	Contra Costa County Population	City Population % of County
2005	28,228	\$662,843,000	\$23,364	3.5%	1,013,280	2.79%
2006	29,074	712,613,000	24,605	3.0%	1,030,732	2.82%
2007	31,906	776,037,000	26,449	3.4%	1,042,341	3.06%
2008	33,210	878,436,000	27,674	4.4%	1,051,674	3.16%
2009	34,468	927,881,000	27,958	7.8%	1,060,435	3.25%
2010	34,500	933,926,000	27,070	8.2%	1,060,435	3.25%
2011	35,646	798,043,000	22,388	8.2%	1,060,435	3.36%
2012	36,532	906,688,000	24,819	7.5%	1,056,064	3.46%
2013	37,252	954,583,000	25,625	5.0%	1,065,117	3.50%
2014	38,075	968,323,000	25,432	4.4%	1,074,702	3.54%

(a) Data reported is for the prior calendar year.

Sources: HdL Coren & Cone

U.S. Department of Commerce, California State Department of Finance, Employment Development Department

CITY OF OAKLEY
Principal Employers
Current Year

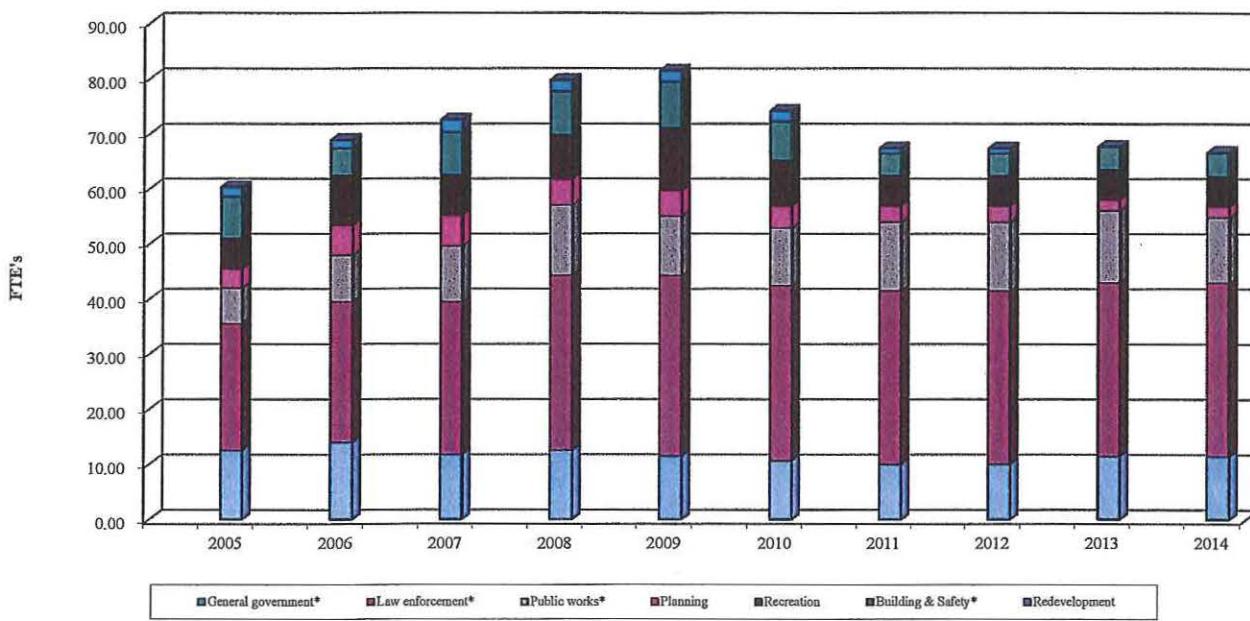
Employer	2013-14			2004-2005		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Oakley Union Elementary School District	420	1	23.0%			
Diamond Hills Sports Club and Spa	55	2	3.0%			
Lucky's	54	3	3.0%			
Continente Nut LLC	49	4	2.7%	(A)	(A)	(A)
Raley's	48	5	2.6%	(A)	(A)	(A)
McDonalds	38	6	2.1%	(A)	(A)	(A)
Foundation Constructors	32	7	1.7%			
Round Table Pizza	29	8	1.6%			
Delta Black Bear Diner	27	9	1.5%			
Burger King	26	10	1.4%	(A)	(A)	(A)
BMS Investments, LLC DBA Comfort Suites	26	10	1.4%	(A)	(A)	(A)
Templers Auto Body & Towing, Inc.	26	10	1.4%			
Albertsons				(A)	(A)	(A)
Jack in the Box				(A)	(A)	(A)
Luxury Linens				(A)	(A)	(A)
Rain for Rent				(A)	(A)	(A)
Rite Aid				(A)	(A)	(A)
Taco Bell				(A)	(A)	(A)
Value Plumbing				(A)	(A)	(A)
Subtotal	<u>804</u>		<u>44.0%</u>			
Total City Day Population (C)	<u>1,829</u>			<u>(B)</u>		

Source: City of Oakley Finance Department - Business Licenses

Notes:

- (A) Number of Employees and Rank data for fiscal year 2004-05 was not available.
- (B) Not available for 2004/2005
- (C) Total City Day Population is the number of employees reported on business license applications by businesses located in Oakley.

CITY OF OAKLEY
Budgeted Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30,

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government*	12.50	14.00	11.75	12.50	11.50	10.65	10.00	10.00	11.45	11.46
Community development:										
Public works*	6.50	8.50	10.20	12.80	10.80	10.50	12.50	12.50	13.13	11.88
Planning	3.50	5.40	5.60	4.70	4.70	4.00	3.00	3.00	2.00	2.00
Building & Safety*	7.55	5.00	7.80	8.00	8.50	7.10	4.05	4.05	4.30	4.45
Redevelopment	1.75	1.50	2.25	2.00	2.00	2.00	1.00	1.00	0.00	0.00
Law enforcement*	23.00	25.50	27.70	31.75	32.75	31.75	31.48	31.48	31.48	31.48
Recreation	5.50	9.00	7.25	8.00	11.25	8.20	5.37	5.37	5.37	5.37
Total	60.30	68.90	72.55	79.75	81.50	74.20	67.40	67.40	67.73	66.64

Notes:

Amounts reported are Full Time Equivalent (FTEs).

n/a means not available.

* The City Contracts for the following services:

City Attorney and IT services are contracted with an outside firm and included in the General Government total.

Police Services are contracted with the County Sheriff and include contracting for a specific number of officers.

Building Inspection and Engineering Services were contracted with an outside firm until October 2013.

Source: City of Oakley Operating Budgets

CITY OF OAKLEY
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Law enforcement:				
Police (a) (b):				
Violent crimes	71	72	95	117
Property crimes	904	686	763	738
Public Works:				
Street resurfacing (miles)	7.2	4.1	0 (c)	10.8 (c)
Leisure Services:				
Recreation:				
Recreation activities participants	3,900	7,000	8,050	9,940

Source: City of Oakley

Notes:

Data prior to July 1, 2004 is not available.

(a) Prior calendar year

(b) Data from FBI Uniformed Crime Reports (UCR)

(c) The 2007 and 2008 projects were combined into a single project constructed in 2008.

Fiscal Year					
2009	2010	2011	2012	2013	2014
77	49	80	79	85	54
693	483	531	526	477	468
10	10	8	5.4	0.72	1.54
9,700	9,700	11,500	13,300	16,486	22,663

CITY OF OAKLEY
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Law enforcement:				
Police stations	1	1	1	1
Police patrol vehicles	24	25	27	27
Public works:				
Miles of streets	92	100	102	116
Street lights	1,491	1,708	1,782	1,915
Traffic Signals	n/a	5	5	11
Recreation:				
Community services:				
City parks	13	16	16	29
City parks acreage	56	77	77	90
Community centers	1	1	1	1
Baseball/softball diamonds	1	1	1	1
Soccer/football fields	1	1	1	1
Skate features	0	0	0	0
BMX dirt track	0	0	0	0

Source: City of Oakley

Notes:

n/a means not available.

Fiscal Year

2009	2010	2011	2012	2013	2014
1 27	1 27	1 27	1 26	1 29	1 25
116.5 2,047 17	116.5 2,047 17	119.5 2,347 17	127.7 2,794 32	129.12 3,032 33	131.00 3,050 33
29 90 1 8 7 3 1	29 90 1 8 7 3 1	29 90 2 8 7 3 1	29 96 2 8 7 3 1	29 98 2 8 7 3 1	30 101.5 2 8 7 3 1

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2013-2014 APPROPRIATIONS LIMIT INCREMENT**

To the City Council of the
City of Oakley, California

We have performed the procedures below to the Appropriations Limit Worksheet (Worksheet) which were agreed to by the City of Oakley for the year ended June 30, 2014. These procedures, which were suggested by the League of California Cities and presented in their Article XIIIIB Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIIIIB of the California Constitution. Management is responsible for the Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures you requested us to perform and our findings were as follows:

- A. We obtained the Worksheet and determined that the 2013-2014 Appropriations Limit of \$8,794,691 and annual adjustment factors were adopted by Resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
- B. We recomputed the 2013-2014 Appropriations Limit by multiplying the 2012-2013 Prior Year Appropriations Limit on the Worksheet by the annual adjustment factors.
- C. For the Worksheet, we agreed the Per Capita Income, City Population and County Population Factors to California State Department of Finance Worksheets.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Appropriations Limit Worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of management and the City Council; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink that reads "Maze & Associates".

Pleasant Hill, California
June 24, 2014



CITY OF OAKLEY

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED
JUNE 30, 2014**

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CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2014

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of Oakley

In planning and performing our audit of the basic financial statements of the City of Oakley for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the City.

The City's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
December 15, 2014

Accountancy Corporation

3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2014-01 Council Approval of Interfund Loans

The City's Short-Term Debt Policy for interfund loans indicates that in lieu of outside debt instruments, such loans will be approved by the City Council, documented by a memorandum signed by the City Manager and filed with the Finance Department and the City Clerk.

During fiscal year 2014, the City had two new long-term interfund loans in the amounts of \$75,000 and \$5,600 for the Public Facilities Impact Fee Capital Projects Fund and the Country Place District of the Lighting and Landscaping Districts Special Revenue Fund, respectively. Although the City Manager approved the loans in individual memorandums dated September 11, 2014, the advances were not separately approved by City Council as required by the Short Term Debt Policy.

City staff indicated that the original loans were approved in the fiscal year 2014 budget in lesser amounts, but City staff did not go back to City Council for separate approval of the loans after the final amount was known, as had been done in the past for certain loans. We noted that there was an interfund loan in the 10 Year Plan section of the original 2014 budget in the amount of \$142,000 for the Public Facilities Impact Fee Capital Projects Fund, but it was not clearly included in the individual fund section of the Budget. Although the original 2014 budget indicated expenditures in excess of resources in Country Place District of the Lighting and Landscaping Districts Special Revenue Fund, an interfund loan was not specifically indicated until a loan for the Fund in the amount of \$16,080 was included in the Fiscal Year 2014 Mid-Year Budget Review.

The City should clarify the Short-Term Debt Policy to indicate whether City Council's approval of the loans through the budget process is sufficient, or if City Council approval is required after the final amount of the loan is known. In addition, to facilitate the process, the City should consider including a summary of interfund loans approved in the original budget.

Management's Response:

Agreed. We will propose clarifying language for the policy, allowing that the Council's approval of budget items by Resolution reflects an approval of all of its contents, and reducing the need for additional Council actions to ratify those already approved. We'll also plan to include a summary of interfund loans in the annual budget, and an update to that summary with the mid-year budget report. This will help avoid any confusion about whether the loans are approved or not.

2014-02 Using Full Accrual Accounting for the Successor Agency Private-Purpose Trust Fund

The activities of the Successor Agency to the Oakley Redevelopment Agency are recorded in a Private-Purpose Trust Fund, which uses full-accrual accounting.

When recording the capital asset and long-term debt activity in the Successor Agency Private-Purpose Trust Fund, the City used modified accrual accounting entries. This means that additions to capital assets of \$902,619 were recorded as an addition to fund balance, rather than a reduction of capital outlay expenses; additions to accumulated depreciation of \$444,194 were recorded as a reduction of fund balance instead of expenses; and rather than recording the debt principal payments of \$610,000 as a reduction to the long-term debt balance, they were reported debt service principal expenses. Post-closing entries were necessary to "convert" the activities to full-accrual accounting.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2014-02

Using Full Accrual Accounting for the Successor Agency Private-Purpose Trust Fund (Continued)

We understand that City staff uses the modified accrual basis of accounting for the Successor Agency during the fiscal year to monitor the activities of the Fund and to facilitate the cash-basis reporting requirements of the Department of Finance.

Since the Successor Agency Fund should use full-accrual accounting throughout the fiscal year, the City should consider establishing contra expense accounts that would be consolidated with the associated capital outlay accounts for financial reporting. In addition, the City should ensure that all other long-term asset and liability activity is recorded in the associated balance sheet accounts, rather than as income statement items, using the full-accrual basis of accounting, using contra-revenue or expense accounts as necessary.

Management's Response:

This is a good solution to the conflicting requirements and we will implement this.

2014-03

Traffic Impact Fees Fund Unearned Revenue

The Traffic Impact Fees Fund reports unearned revenue of \$114,042 that includes \$35,000 related to a third party payment. After our inquiry regarding the status of the balance, City staff found a copy of a letter dated July 9, 2007 from an attorney that describes the check for \$35,000 as final payment in satisfaction of the outstanding claims related to a Proposed Release Agreement. The agreement states that there was a requirement for the third-party to reimburse the City for certain fees associated with widening of the public roadways in the immediate area where the third-party properties were being developed. Therefore, the balance does not appear to be unearned revenue.

The City should determine whether the balance is in fact unearned revenue, or if it should be recorded as revenue.

Management's Response:

The payment was a settlement of a dispute over the installation of frontage improvements related to a deferred improvement agreement. The \$35,000 is not technically earned or unearned. It was received in lieu of the improvements, and as cash, it is available for the fund's use. The City, however, has the obligation to install improvements in the future, so we continue to carry the amount received as a liability on the books so that as an earmark, it is tracked until the project is finally undertaken. Given the small amount involved and the limited number of available accounts in the Fund, Staff believes the unearned revenue account is the best available account to track this.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2014-04 Treasurer's Report – Frequency of Reporting

The Reporting Section of the City's Investment Policy requires quarterly reporting to the City Council. However, the Delegation of Authority Section of the Policy delegates the authority to invest the funds of the City under California Government Code Section 53607, which requires monthly reporting of transactions to the legislative body. The City should determine whether the quarterly reporting requirement is sufficient under the Government Code, or if the Investment Policy and reporting frequency should be revised to conform with the Code requirements.

Management's Response:

Staff's understanding is that the GC 53607 requirement was included because many agencies have portfolios of a size and/or complexity that they are actively traded. In such cases the monthly reporting of *transactions* to the governing board provides a more frequent level of oversight to prevent the abuse of investment authority.

In Oakley, responsibility for investment decisions was delegated to the Finance Director, who acts as the City Treasurer, but the City's portfolio is not actively traded. While the authority to delegate investment responsibility is found in GC 53600 et seq., the applicable reporting provision for a City that does not trade actively is summarized in GC 53646, and the substance of those requirements are spelled out in the City's Investment Policy. Staff will bring back to the City Council for their approval a proposed updated investment policy clarifying the reporting requirement is consistent with GC 53646.

2014-05 Health and Safety Code Expenditure Limitations and Reporting Requirements for the Housing Successor

Senate Bill No. 341 was approved on October 13, 2013 and amended and added to the Health and Safety Code (HSC) effective January 1, 2014 to change provisions relating to the functions performed by a Housing Successor.

The amendments to HSC Section 34176 are minor and primarily include defining the "entity that assumed the housing functions of a former redevelopment agency" as the Housing Successor.

HSC Section 34176.1 is new and imposes spending limitations and reporting requirements related to the housing assets of the former Redevelopment Agency held by the Housing Successor.

The City serves as Housing Successor for the housing activities of the former Oakley Redevelopment Agency and the activities of the Housing Successor are reported in the Low and Moderate Income Housing Asset Special Revenue Fund.

The City, as Housing Successor, should develop procedures to ensure ongoing compliance with the provisions of HSC Section 34176.1, including the expenditure limitations and annual reporting requirements.

Management's Response:

Agreed. We note that revenues are expected to be used primarily to repay the City for housing project obligations passed to the Housing Successor pursuant to the recently approved Settlement Agreement and it will likely be many years (potentially decades) before sufficient Housing Successor funds will be available for housing subsidies that are subject to the SB 341 limits. We previously reviewed the bill, and calendared and assigned the annual report preparation that is first due in the Spring of 2015.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents a new pronouncement taking affect in the next fiscal year. We cite it here to keep you informed of developments:

EFFECTIVE FISCAL 2015:

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB 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* discussed in the Current Status of Prior Year Schedule of Other Matters section below. The issue relates to determining the beginning balances of deferred inflows and outflows required under the provisions of GASB Statement No. 68 and amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

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.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB No. 68 (Continued)*

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

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**CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2013-01 Monitoring Loan Repayment Terms and Delinquencies

The City has a number of loans receivable from developers and property owners that have differing repayment terms. The City should be monitoring those loans to ensure any repayments due are made in a timely manner in accordance with the terms of the loan agreements.

Four of the City's developer loans are repayable if the respective projects have "residual receipts" in any one year as defined in the agreements. According to City staff, any residual receipts payments are accounted for only when they are received. However, since the loan agreements define residual receipts, the City should request the annual calculation from each developer to confirm whether a payment is or is not due.

One of the City's loans to a property owner was due in May 2013, but City staff did not notice that payment had not been received until the property owner contacted the City in October 2013 to indicate the loan would be repaid by December 2013.

The City should develop procedures to ensure loans receivable are monitored to ensure repayments are received when due.

Current Status:

Implemented.

2013-02 Reporting Investment Details on the Treasurer's Report

California Government Code Section 53646 (b)(1) requires that the Treasurer's Report include the individual investment details either on the face of the Report or in an attached schedule.

We reviewed the June 30, 2013 Quarterly Investment Report and noted that the City listed its certificates of deposit (CDs) held by Wells Fargo Trust as a single line item. Upon review of the trustee statements, we noted that these CDs are invested with GE Capital, Discover Bank and Goldman Sachs, none of which is indicated on the report.

The City should revise the format of the Treasurer's Report to include the required information either on the face of the Report or in a supplemental schedule.

Current Status:

Implemented.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

2013-03 Timely Bank Deposits of Cash Receipts

The City should make cash deposits to the bank in a timely manner. According to the City's "Cash and Deposit Policy," dated June 19, 2012, "...if the cash receipts for the week exceeds \$1,000, the Finance Director will deposit the funds in the bank as soon as practicable (the same day the balance is determined to exceed the threshold or the following morning). If the cash receipts for the week does not exceed \$1,000, the Finance Director shall take the funds to the Bank each Thursday afternoon."

We selected a sample of forty receipts that included cash, checks, and credit cards to test whether they were deposited in the bank in a timely manner and in compliance with the City's policy. Of the forty cash receipts tested, we noted that three cash (actual currency) receipts of less than \$300 each were not deposited in the bank timely due to the Finance Director's absence, and we noted one cash receipt of less than \$200 was not deposited in the bank timely due to the City Hall closure for the holiday break. All three receipts were deposited upon the Finance Director's return.

The City staff responsible for making the deposits indicated that the monies related to the last receipt came in the day before the City offices were going to be closed for the Christmas and New Year holiday and therefore the deposit was not made until the offices reopened. The other receipts were not deposited timely because the Finance Director was on vacation or in training and unavailable to make the deposits. Although these deposit delays represent a significant improvement from the issues noted in the prior year Memorandum on Internal Control comment 2012-01, by not making deposits of cash to the bank timely, the City is not in compliance with the timely deposit requirements of its policy.

The City should review the requirements of its Cash and Deposit Policy and either make the deposits timely in accordance with the policy, or revise the policy to reflect the current practices. And, to facilitate that process, the City should consider revising the policy to include a responsible staff as back up to deposit receipts when the Finance Director is not available to do so. Finally, the City should consider depositing cash collections prior to a holiday break with the bank before the City Hall closure so cash is not retained in City Hall for an extended period of time.

Current Status:

Implemented.

2013-04 Collectability of Deposits Receivable

We inquired why certain deposits payable accounts with negative balances (indicating receivable balances) had little or no activity during the fiscal year. City staff indicated that some of the accounts involved legal or other negotiations, but that other balances totaling \$38 thousand were potentially uncollectible.

The City should determine whether the above balances are collectible or if they should be written off. In addition, the City should develop procedures to review all receivable balances on a more frequent basis to determine collectability and document the follow up and status on the internal deposits payable worksheet so the status is readily evident.

Current Status:

Implemented mid-year.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you abreast of developments:

EFFECTIVE FISCAL 2014:

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods **beginning after June 15, 2013**. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees (Continued)*

How the Changes in this Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

EFFECTIVE FISCAL 2015:

GASB 68 - *Accounting and Financial Reporting for Pensions (an amendment of GASB 27)*

This Statement will have material impact on the City's financial statements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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.

The following are the major impacts:

- This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (**net pension liability**) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (**total pension liability**), less the amount of the pension plan's **fiduciary net position**.
- Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end).

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

**GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)**

- The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

Single and Agent Employers

- In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period.
- The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer primarily result from changes in the components of the net pension liability—that is, changes in the total pension liability and in the pension plan's fiduciary net position.
- This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately. Projected earnings on the pension plan's investments also are required to be included in the determination of pension expense immediately.
- The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in 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 benefits through the pension plan (active employees and inactive employees), beginning with the current period. The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions.
- Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

**GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)**

- **In governmental fund financial statements:** A net pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- **Notes to financial statements** of single and agent employers include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also should disclose the following information:
 - For the current year, sources of changes in the net pension liability
 - Significant assumptions and other inputs used to calculate the total pension liability, including those about inflation, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies.
 - The date of the actuarial valuation used to determine the total pension liability, information about changes of assumptions or other inputs and benefit terms, the basis for determining employer contributions to the pension plan, and information about the purchase of allocated insurance contracts, if any.
 - **Required Supplementary Information:** Single and agent employers are required to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:
 - Sources of changes in the net pension liability
 - The components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.
 - Schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios. If the contributions of a single or agent employer are not actuarially determined but are established in statute or by contract, the employer should present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the pension plan, and related ratios.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

**GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)**

- Significant methods and assumptions used in calculating the actuarially determined contributions, if applicable, should be presented as notes to required supplementary information. In addition, the employer should explain factors that significantly affect trends in the amounts reported in the schedules, 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.

Cost-Sharing Employers

- Government-wide and accrual basis of accounting financial statements: 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. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.
- 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.
- 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.

CITY OF OAKLEY
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

**GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)**

- In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- 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, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also should disclose information about how their contributions to the pension plan are determined.
- 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) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

REQUIRED COMMUNICATIONS

To the City Council of
the City of Oakley, California

We have audited the financial statements of the City of Oakley as of and for the year ended June 30, 2014 and have issued our report thereon dated December 15, 2014. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Oakley are described in Note 1 to the financial statements.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. However, the dissolution of the former Redevelopment Agency had a material impact to the financial statements of the City and its component units:

As discussed in Note 15 to the financial statements, the State enacted laws which dissolved Redevelopment Agencies effective January 31, 2012. The laws also require the Successor Agency to the former Redevelopment Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities. In August 2013, the State Department of Finance (DOF) completed its review of the DDR of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The DDR indicated assets totaling \$1,956 were to be returned, but that amount was adjusted by the DOF to \$537,576. The Successor Agency complied with a portion of the DOF's determination by transmitting a payment of \$71,556 to the County Auditor-Controller in August 2013, but the City disputed the remaining balance due of \$466,020. In October 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to \$952,264. The City disputed the adjustments.

Also as discussed in Note 15, prior to the Redevelopment Agency dissolution, the City, acting under a Cooperation Agreement with the Agency, approved a loan agreement which obligated certain Redevelopment funds. The loan agreement was rejected by the Department of Finance (Department). The City and Department have met and conferred to settle the matter and the Department determined that it is not an enforceable obligation of the Successor Agency at this time. Management continued to believe this transaction was valid and filed a lawsuit against the Department related to this matter and the DDR adjustments.

The City entered into a settlement agreement in July 2014 with the State Department of Finance and the Contra Costa County Auditor-Controller to resolve the disputes discussed above. With the execution of the settlement agreement, the litigation was dismissed on July 23, 2014. Under the terms of the settlement agreement, the City agrees to transfer \$1,450,500 to the Successor Agency that represents the value of the Development and Disposition Agreement related to the Manuel's Five Star Restaurant, Inc., less \$124,500 for the administrative allowance and bond administration expenses previously withheld by the Department of Finance. With the transfer of funds, the City will acquire all rights and interest in the DDA and the associated loan receivable from Manuel's Five Star Restaurant, Inc. will be transferred from the Successor Agency to the City.

After the transfer of funds from the City to the Successor Agency, the Successor Agency is to remit \$1,418,284 to the County Auditor-Controller that represents the total of the amounts remaining in the Low and Moderate Housing Fund DDR (\$466,020) and the DDR of all other funds (\$952,264). The Successor Agency remitted the payments on August 14, 2014, and the Department of Finance issue the Successor Agency a Finding of Completion on August 15, 2014.

In addition, the City agreed that it will not pursue the repayment from the Successor Agency of the housing related advance to the former Redevelopment Agency discussed in Note 15A, and will not seek payment from the Successor Agency for City administration of certain housing programs.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements were:

Estimated Fair Value of Investments: As of June 30, 2014, the City held approximately \$38.9 million of cash and investments as measured by fair value as disclosed in Note 3 to the Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2014. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2014.

Estimated Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 7 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Compensated Absences: Accrued compensated absences is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1H. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the Redevelopment Agency Dissolution and litigation in Note 15 to the financial statements. See discussion above regarding the unsettled law and highly contingent nature of these matters.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, except for the entries to convert the modified accrual entries in the Successor Agency Private-Purpose Trust Fund to full accrual entries as discussed in comment 2014-01 of the Memorandum on Internal Control, and the City's post-closing adjustments to record the fiscal year's capital assets activity.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 15, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the required supplementary information accompanying the financial statements, we 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 did not express an opinion nor 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.

The Introductory and Statistical Sections included as part of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we did not express an opinion nor provide any assurance on them.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Maye & Associates

Pleasant Hill, CA
December 15, 2014

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