



## STAFF REPORT

**Date:** December 8, 2015  
**To:** Bryan H. Montgomery, City Manager  
**From:** Deborah Sultan, Finance Director  
**SUBJECT:** Adopt Resolution Accepting the Comprehensive Annual Financial Report (CAFR), Management Letter, and Report on Agreed Upon Procedures for Fiscal Year 2014-2015

Approved and Forwarded to the City Council:

  
Bryan Montgomery, City Manager

### Background and Analysis

The Fiscal Year 2014-2015 CAFR, including the City's audited financial statements is 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. It requires that the Auditor report any "material weakness" or "significant deficiency" found during the audit. The attached Management Letter does contain two significant deficiencies this year with Management's response to each. It also includes several "other matters" recommendations to the City for strengthening internal controls with Management's response to each of those.

The Auditor's "Agreed Upon Procedures Report on Compliance with the Proposition 111 2014-2015 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.

### Fiscal Impact

None.

### Recommendation

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

### Attachments

1. Resolution
2. FY 2014-2015 CAFR
3. FY 2014-2015 Management Letter from Maze and Associates
4. FY 2014-2015 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 2014-15**

**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 2014-15 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 2014-15.

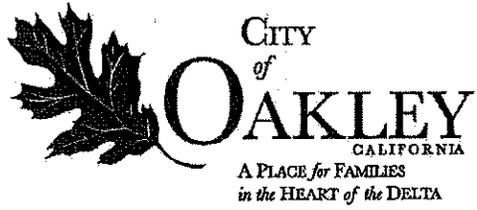
The foregoing resolution was introduced at a regular meeting of the City Council of the City of Oakley held on the 8th day of December 2015 and adopted by the following vote:

- AYES:
- NOES:
- ABSTENTION:
- ABSENT:

APPROVED: \_\_\_\_\_, MAYOR

ATTEST:

\_\_\_\_\_  
Libby Vreonis, CITY CLERK



# COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015



**CITY OF OAKLEY, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

**PREPARED BY THE  
FINANCE DEPARTMENT**

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**CITY OF OAKLEY, CALIFORNIA**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015**

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925 625 9859 fax  
www.ci.oakley.ca.us

**MAYOR**  
Doug Hardcastle

**VICE MAYOR**  
Kevin Romick

**COUNCILMEMBERS**  
Randy Pope  
Sue Higgins  
Vanessa Perry

December 8, 2015

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, 2015. 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 38,124 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. It is blended in the report since it is governed by the City Council sitting in a separate capacity and provides 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.

## 2014-2015 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. The City submitted its Long Range Property Management Plan to the State Department of Finance in November of 2014 and is waiting for approval to begin the disposition of the Agency's land and infrastructure.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for fiscal year 2015-2016, 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 6%, reflecting the increasing 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 2015-2016, similar to the increased levels seen in fiscal year 2014-2015.
- County police services costs substantially increased in 2014-2015 and are scheduled to increase again for fiscal year 2015-2016. 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 City notified the County that it elected to not extend its contract for police services with the intent to form its own Municipal Police Department. Staff has included \$800,000 in fiscal year 2015-2016 for the necessary transition costs.

- 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 was 5.5% in September 2015 down from 7.3% in September 2014.

### **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, 2014. This was the fifteenth 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.

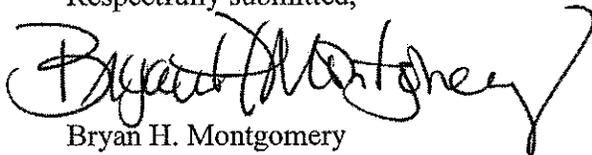
## AVAILABILITY TO THE PUBLIC

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](http://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, 2015. 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



Deborah Sultan  
Finance Director



**CITIZENS OF OAKLEY**

**CITY COUNCIL**

**CITY ATTORNEY**

City Attorney  
Special Counsel  
Paralegal

**CITY MANAGER**

Assistant to the City Manager

Maintenance Custodian

You, Me, We = Oakley  
Program Coordinator

**City Clerk**

City Clerk  
Records Manager  
Receptionists

**Engineering/  
Public Works**

City Engineer/PW Director  
Assistant Engineer  
Senior Civil Engineer  
PW Inspector  
Office Coordinator  
Parks Landscape Maintenance Manager  
Parks Landscape Foreman  
Maintenance Worker  
Parks Laborers  
Parks Monitor

**Planning**

Senior Planners

**Building**

Chief Building Official  
Permit Center Manager  
Building Inspectors  
Permit Technician

**Economic Development**

Economic Dev. Manager  
Economic Dev. Analyst

**Code Enforcement**

Code Enforcement Coordinator  
Code Enforcement Officer  
Code Enforcement Technicians

**Human Resources**

HR Manager  
HR Assistant

**Finance**

Finance Director  
Senior Accountant  
Accounting Technician

**IT Services**

Network Manager  
Network Engineers

**Police**

Police Chief  
Assistant to the Chief  
Sergeants  
Police Officers  
Police Service Assistants  
Admin Assistants

**Recreation**

Recreation Manager  
Rec. & Events Coordinator  
Recreation Leaders  
Recreation Aides

X

**CITY OF OAKLEY**  
**ELECTED OFFICIALS AND**  
**ADMINISTRATIVE PERSONNEL**

**JUNE 30, 2015**

**ELECTED OFFICIALS**

|                |                 |
|----------------|-----------------|
| Mayor          | Doug Hardcastle |
| Vice-Mayor     | Kevin Romick    |
| Council Member | Sue Higgins     |
| Council Member | Vanessa Perry   |
| Council Member | Randy Pope      |

**ADMINISTRATIVE PERSONNEL**

City Manager  
City Attorney  
Finance Director (Retired)  
Finance Director  
Chief of Police  
City Clerk  
City Engineer  
Building Official

Bryan H. Montgomery  
Derek Cole  
Paul Abelson  
Deborah Sultan  
Dan Gomez  
Libby Vreonis  
Kevin Rohani  
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, 2014**

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, 2015, 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, 2015, 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 was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012.

AB1484 required 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 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 the 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 loan receivable from Manuel's Five Star Restaurant, Inc. and the land associated with the restaurant's building was transferred from the Successor Agency to the City.

After the transfer of funds from the City to the Successor Agency, the Successor Agency remitted \$1,418,284 to the County Auditor-Controller that represented 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 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.

### ***Change in Accounting Principles***

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required the restatement of net position as discussed in Notes 10D and 11 to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

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 and other Required Supplementary Information as listed in the table of contents 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 basic 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.

*Maye & Associates*

Pleasant Hill, California  
November 23, 2015

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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, 2015, 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 increased by \$.2 million, or 0.08 percent this year.
- Government-wide program expenses exceeded program revenues by \$10.2 million.
- General Fund revenues were \$1.1 million more than budgeted; expenditures were \$1.2 million less than budgeted.
- The General Fund balance at the end of the year was \$13.04 million, of which \$7.9 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 2014-2015 the City's combined net position increased \$156,640 from \$188.0 million to \$188.2 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, 2015 and 2014  
 (In Millions)

| <b>Governmental Activities</b>  | <u>2015</u>    | <u>2014*</u>   |
|---|----------------|----------------|
| <u>Assets</u>   |                |                |
| Current and restricted assets   | \$ 48.0        | \$ 46.2        |
| Capital assets  | <u>153.8</u>   | <u>154.3</u>   |
| Total Assets  | <u>201.8</u>   | <u>200.5</u>   |
| <br>Deferred Outflows of Resources<br>(Related to pensions (Note 11)) | <br><u>.3</u>  | <br><u>—</u>   |
| <u>Liabilities</u>  |                |                |
| Long-term liabilities outstanding                                     | 6.7            | 7.0            |
| Other liabilities   | <u>6.9</u>     | <u>4.2</u>     |
| Total Liabilities   | <u>13.6</u>    | <u>11.2</u>    |
| <br>Deferred Inflows of Resources<br>(Related to pensions (Note 11))  | <br><u>.3</u>  | <br><u>—</u>   |
| <u>Net Position</u>   |                |                |
| Net Investment in Capital Assets                                      | 147.7          | 147.9          |
| Restricted  | 26.6           | 27.1           |
| Unrestricted  | <u>13.9</u>    | <u>14.3</u>    |
| Total Net Position  | <u>\$188.2</u> | <u>\$189.3</u> |

\*Not restated for the effects of the implementation of GASB Statement No. 68 discussed in Note 11.

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 as a result of current year project expenditures.

The decrease in Unrestricted Net Position is primarily attributed to the implementation of GASB Statement No. 68 as discussed in Note 11.

Table 2  
 Changes in Net Position  
 As of June 30, 2015 and 2014  
 (In Millions)

| <b>Governmental Activities</b>                                     | <u>2015</u>    | <u>2014*</u>   |
|--|----------------|----------------|
| <b>REVENUES</b>  |                |                |
| <u>Program revenues:</u>   |                |                |
| Charges for Services   | \$ 8.8         | \$ 8.2         |
| Operating Grants and Contributions                                 | 1.7            | 1.5            |
| Capital Grants and Contributions                                   | 2.7            | 2.6            |
| <u>General revenues:</u>   |                |                |
| Property tax   | 5.3            | 4.5            |
| Sales tax  | 1.5            | 1.5            |
| Other taxes  | 1.6            | 1.5            |
| Use of money and property  | 0.5            | 0.4            |
| Miscellaneous  | <u>1.1</u>     | <u>0.9</u>     |
| Total Revenues   | <u>23.2</u>    | <u>21.2</u>    |
| <b>EXPENSES</b>  |                |                |
| Legislative  | 0.5            | 0.5            |
| Administrative Services  | 1.3            | 1.2            |
| Law Enforcement  | 8.3            | 7.7            |
| Community Development  | 1.9            | 1.8            |
| Public Works   | 10.6           | 10.2           |
| Recreation   | 0.5            | 0.5            |
| Interest on long-term debt   | <u>0.3</u>     | <u>0.3</u>     |
| Total Expenses   | <u>23.4</u>    | <u>22.2</u>    |
| Change in Net Position Before Special Items                        | (.2)           | (1.0)          |
| Special Items – Assets transferred to/from<br>the Successor Agency | .4             |                |
| Change in Net Position   | .2             | (1.0)          |
| Net Position – Beginning   | <u>188.0</u>   | <u>190.3</u>   |
| Net Position – Ending  | <u>\$188.2</u> | <u>\$189.3</u> |

\* Not restated for the effects of the implementation of GASB Statement No. 68 discussed in Note 11.

## Governmental Activities

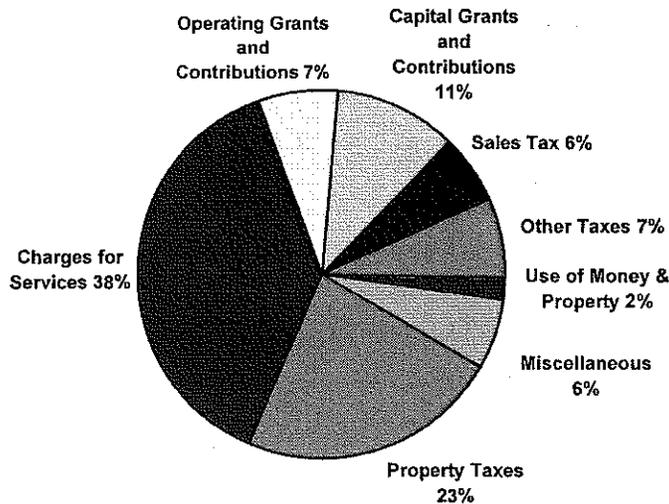
Total revenue was \$23.2 million. Charges for services which accounts for 38% of revenue increased \$0.57 million due to increased developer fees (\$0.27 million) and public safety assessments (\$0.274 million). Property taxes increase \$0.8 million due to increased property values. Most other categories experienced slight increases.

Total expenses were \$23.4 million. Public Works, with \$10.6 million of expenses, represented the largest component of total governmental expenses. The \$0.5 million increase in Public Works expenses resulted from increased seasonal staff, lighting zone costs, remedial maintenance work and depreciation expense. Law Enforcement expenses increased by \$0.6 million, reflecting increased County charges for police officers provided to the City under the City's police services contract.

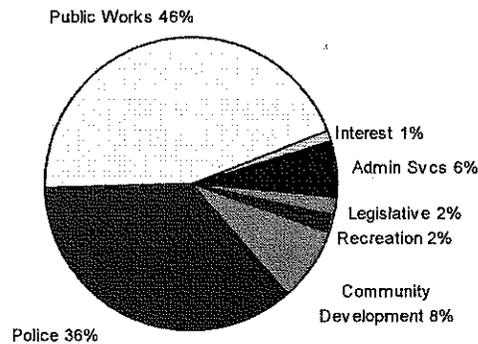
The special items of \$0.4 million represent the net transactions to account for the City's settlement with the State Department of Finance and the Contra Costa County Auditor-Controller to resolve a dispute over assets of the former Redevelopment Agency. See Note 15A for further information.

## Fiscal Year 2015 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 \$30.0 million, an increase of \$0.2 million. The largest contributors to the change in fund balance were a decrease in the Traffic Impact Fee Fund (\$1.3 million), resulting from increased capital investment, offset in large part from an increase from General Fund operations (\$.7 million) and lighting and landscape districts (\$.6 million). The combined fund balance includes the General Fund balance of \$13.0 million.

The General Fund balance increased by \$0.7 million from the prior year. This was a smaller increase than in 2014, when fund balances increased \$1.4 million. Revenues increased \$1.3 million due primarily to increases in property taxes, other governmental revenues and miscellaneous revenues; and expenditures increased \$0.6 million due primarily to increases in Administrative Services, and Law Enforcement. The increases in expenditures are due to higher insurance costs and County charges for police officers. General Fund Unassigned fund balances increased by \$101,075.

General Fund revenues were \$2.4 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 \$0.6 million to \$7.1 million, as operating revenues exceeded operating expenditures for the year.
- The Traffic Impact Fee Fund balance decreased by \$1.3 million to \$3.7 million due primarily to increased Capital Outlay.
- The non-major Main Street Capital Project Fund balance decreased \$0.4 million primarily due to increased capital outlay.

- The non-major General Capital Projects Fund balance increased \$.6 million primarily due to transfers in exceeding project expenditures for the year.

### General Fund Budgetary Highlights

For the City's General Fund, actual revenues of \$11.0 million were \$1.1 more than the final budgeted revenues of \$9.9 million. Property, sales and other tax revenues exceeded budget by \$360,000, and licenses and other intergovernmental revenues exceeded budget by \$674,000. Original budgeted General Fund revenues were increased by approximately \$525,000 during the year, reflecting improving views on the state of the economic recovery and increased property values.

Actual General Fund expenditures were \$8.7 million, \$1.17 million less than final budget of \$9.9 million. Savings were primarily in law enforcement, where expenditures were \$753,000 less than budgeted due to vacancies in police officer positions and administrative services expenditures were \$185,000 less than budgeted due to savings in funds set aside for contingencies.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2015, the City had \$153.8 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, 2015 and 2014  
(In Millions)

| <b>Governmental Activities</b>                | <u>2015</u>    | <u>2014</u>    |
|---|----------------|----------------|
| Non Depreciable                               |                |                |
| - Land  | \$ 9.9         | \$ 9.3         |
| - Construction in progress                    | 3.6            | 4.1            |
| Depreciable, net of accumulated depreciation: |                |                |
| - Machinery, equipment and vehicles           | 0.6            | 0.7            |
| - Buildings and improvements                  | 7.0            | 7.2            |
| - Park improvements                           | 8.3            | 7.9            |
| - Infrastructure                              | <u>124.4</u>   | <u>125.1</u>   |
| Total Capital Assets                          | <u>\$153.8</u> | <u>\$154.3</u> |

Capital assets decreased by \$0.5 million during fiscal year 2014-2015 as depreciation exceeded new asset additions.

The City's fiscal year 2015-2016 capital improvement budget calls for it to spend \$6.34 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 \$6.7 million as shown in Table 4. The decrease of \$0.3 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)

| <b>Governmental Activities</b>     | <u>2015</u>   | <u>2014</u>   |
|------------------------------------|---------------|---------------|
| 2006 Certificates of Participation | <u>6.7</u>    | <u>7.0</u>    |
| Total Debt                         | <u>\$ 6.7</u> | <u>\$ 7.0</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](http://www.oakleyinfo.com)). This CAFR, as well as other financial documents, is posted in the Finance Department section of the City's website.

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**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 is a component unit 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, 2015**

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>  |                            |
| Cash and investments available for operations (Note 3)                   | \$31,396,255               |
| Cash and investments with fiscal agent (Note 3)                          | 648,469                    |
| Accounts receivable, net of allowance<br>for doubtful accounts (Note 1F) | 1,007,729                  |
| Interest receivable  | 16,037                     |
| Prepays and deposits   | 28,108                     |
| Loans receivable (Note 5)  | 12,776,190                 |
| Land held for resale (Note 6)  | 2,182,235                  |
| Capital assets (Note 7):   |                            |
| Land and construction in progress  | 13,484,014                 |
| Depreciable, net   | 140,316,250                |
| Total Assets   | 201,855,287                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                            |
| Related to pensions (Note 11)  | 296,613                    |
| <b>LIABILITIES</b>   |                            |
| Accounts payable   | 2,811,679                  |
| Accrued liabilities  | 116,738                    |
| Deposits payable   | 1,218,099                  |
| Unearned revenue   | 1,094,727                  |
| Interest payable   | 47,673                     |
| Claims payable - due in one year (Note 13)                               | 66,852                     |
| Compensated absences (Note 1H):  |                            |
| Due within one year  | 268,594                    |
| Due in more than one year  | 171,067                    |
| Long-term debt (Note 8):   |                            |
| Due within one year  | 275,000                    |
| Due in more than one year  | 6,415,000                  |
| Net pension liability (Note 11)  | 1,102,233                  |
| Total Liabilities  | 13,587,662                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                            |
| Related to pensions (Note 11)  | 330,179                    |
| <b>NET POSITION (Note 10)</b>  |                            |
| Net investment in capital assets   | 147,685,029                |
| Restricted for:  |                            |
| Capital projects   | 17,019,472                 |
| Debt service   | 5,440                      |
| Low and moderate income housing  | 9,626,233                  |
| Total Restricted Net Position  | 26,651,145                 |
| Unrestricted net position  | 13,897,885                 |
| Total Net Position   | \$188,234,059              |

See accompanying notes to financial statements

CITY OF OAKLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

| Functions/Programs   | Expenses            | Program Revenues        |  | Net (Expense)<br>Revenue and Change<br>in Net Position |
|--|---------------------|-------------------------|--|--|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| <b>Governmental Activities:</b>                            |                     |                         |  |  |
| Legislative  | \$466,418           |                         |  | (\$466,418)  |
| Administrative Services                                    | 1,341,183           | \$251,642               | \$206,979                                | (882,562)  |
| Community Development                                      | 1,842,736           | 1,375,030               | 140,768                                  | 153,459  |
| Public Works   | 10,640,470          | 3,592,216               | 1,080,339                                | (3,733,413)  |
| Housing Programs   | 45,045              |                         |  | (45,045)   |
| Law Enforcement  | 8,313,841           | 3,506,081               | 216,887                                  | (4,590,873)  |
| Recreation   | 524,217             | 73,100                  | 69,293                                   | (381,824)  |
| Interest and fiscal charges                                | 300,528             |                         |  | (300,528)  |
| <b>Total Governmental Activities</b>                       | <b>\$23,474,438</b> | <b>\$8,798,069</b>      | <b>\$1,714,266</b>                       | <b>(\$2,714,899)</b>                                   |
| <b>General revenues:</b>                                   |                     |                         |  |  |
| Taxes:   |                     |                         |  |  |
| Property taxes   |                     |                         |  | 5,330,952  |
| Sales taxes  |                     |                         |  | 1,506,300  |
| Business license taxes                                     |                     |                         |  | 119,184  |
| Transient occupancy taxes                                  |                     |                         |  | 196,243  |
| Franchise taxes  |                     |                         |  | 1,298,229  |
| Intergovernmental, unrestricted:                           |                     |                         |  |  |
| Motor vehicle in lieu                                      |                     |                         |  | 15,603   |
| Use of money and property                                  |                     |                         |  | 518,977  |
| Miscellaneous  |                     |                         |  | 1,056,174  |
| Special items:   |                     |                         |  |  |
| Assets transferred to/from the Successor Agency (Note 15A) |                     |                         |  | 362,182  |
| <b>Total General Revenues and Special Items</b>            |                     |                         |  | <b>10,403,844</b>                                      |
| Change in Net Position                                     |                     |                         |  | 156,640  |
| Net Position-Beginning, as Restated (Note 10D)             |                     |                         |  | 188,077,419  |
| Net Position-Ending  |                     |                         |  | <b>\$188,234,059</b>                                   |

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 2015. 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, 2015

|   | General             | Lighting and<br>Landscaping<br>Districts | Public<br>Protection | Low and Moderate<br>Income Housing<br>Asset |
|---|---------------------|--|----------------------|---|
| <b>ASSETS</b>   |                     |  |                      |   |
| Cash and investments available for operations (Note 3)                        | \$9,929,996         | \$7,388,156                              | \$166,471            | \$1,320                                     |
| Cash and investments with fiscal agent (Note 3)                               |                     |  |                      |   |
| Accounts receivable, net of allowance<br>for doubtful accounts (Note 1F)      | 880,715             |  | 11,021               | 10,764                                      |
| Interest receivable   | 5,809               | 3,842                                    | 169                  | 14  |
| Prepays and deposits  | 27,868              |  |                      |   |
| Loans receivable (Note 5)   | 1,856,589           |  |                      | 10,883,436                                  |
| Advances to other funds (Note 4B)   | 308,232             |  |                      |   |
| Land held for resale (Note 6)   | 2,182,235           |  |                      |   |
| <b>Total Assets</b>   | <u>\$15,191,444</u> | <u>\$7,391,998</u>                       | <u>\$177,661</u>     | <u>\$10,895,534</u>                         |
| <b>LIABILITIES</b>  |                     |  |                      |   |
| Accounts payable  | \$1,257,734         | \$254,828                                | \$2,000              |   |
| Accrued liabilities   | 115,608             |  |                      |   |
| Deposits payable  | 782                 |  |                      |   |
| Unearned revenue  | 603,755             |  | \$175,661            |   |
| Advances from other funds (Note 4B)   |                     | 62,232                                   |                      | \$1,269,301                                 |
| <b>Total Liabilities</b>  | <u>1,977,879</u>    | <u>317,060</u>                           | <u>177,661</u>       | <u>1,269,301</u>                            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |  |                      |   |
| Unavailable revenue - accounts receivable                                     | 171,441             |  |                      |   |
| Unavailable revenue - loans receivable  |                     |  |                      | 10,883,436                                  |
| Unavailable revenue - interest on advances to other funds                     |                     |  |                      |   |
| <b>Total Deferred Inflows of Resources</b>                                    | <u>171,441</u>      |  |                      | <u>10,883,436</u>                           |
| <b>FUND BALANCES</b>  |                     |  |                      |   |
| Fund balance (Note 10):   |                     |  |                      |   |
| Nonspendable  | 4,374,924           |  |                      |   |
| Restricted  | 559,498             | 7,074,938                                |                      |   |
| Assigned  | 169,534             |  |                      |   |
| Unassigned  | 7,938,168           |  |                      | (1,257,203)                                 |
| <b>TOTAL FUND BALANCES (DEFICITS)</b>   | <u>13,042,124</u>   | <u>7,074,938</u>                         |                      | <u>(1,257,203)</u>                          |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b> | <u>\$15,191,444</u> | <u>\$7,391,998</u>                       | <u>\$177,661</u>     | <u>\$10,895,534</u>                         |

See accompanying notes to financial statements

| Traffic<br>Impact<br>Fees | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------|--------------------------------|--------------------------------|
| \$4,088,086               | \$8,280,443<br>648,469         | \$29,854,472<br>648,469        |
|                           | 105,229                        | 1,007,729                      |
| 2,067                     | 3,284                          | 15,185                         |
|                           | 240                            | 28,108                         |
| 36,165                    |                                | 12,776,190                     |
| 641,480                   | 627,821                        | 1,577,533                      |
|                           |                                | 2,182,235                      |
| <u>\$4,767,798</u>        | <u>\$9,665,486</u>             | <u>\$48,089,921</u>            |
| \$845,870                 | \$450,705<br>1,130             | \$2,811,137<br>116,738         |
|                           | 1,217,317                      | 1,218,099                      |
| 114,042                   | 201,269                        | 1,094,727                      |
|                           | 246,000                        | 1,577,533                      |
| <u>959,912</u>            | <u>2,116,421</u>               | <u>6,818,234</u>               |
|                           |                                | 171,441                        |
|                           |                                | 10,883,436                     |
| 98,261                    | 96,168                         | 194,429                        |
| <u>98,261</u>             | <u>96,168</u>                  | <u>11,249,306</u>              |
|                           | 240                            | 4,375,164                      |
| 3,709,625                 | 6,740,114                      | 18,084,175                     |
|                           | 829,497                        | 999,031                        |
|                           | (116,954)                      | 6,564,011                      |
| <u>3,709,625</u>          | <u>7,452,897</u>               | <u>30,022,381</u>              |
| <u>\$4,767,798</u>        | <u>\$9,665,486</u>             | <u>\$48,089,921</u>            |

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CITY OF OAKLEY  
 Reconciliation of the  
 GOVERNMENTAL FUNDS - BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet: \$30,022,381

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. 153,800,264

**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. 1,542,093

**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. 11,249,306

**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   | (6,690,000) |
| Interest payable   | (47,673)    |
| Compensated absences   | (439,661)   |
| Net pension liability and pension-related deferred outflows/inflows of resources | (1,135,799) |
| Claims Payable   | (66,852)    |
|  | (66,852)    |

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$188,234,059**

See accompanying notes to financial statements

CITY OF OAKLEY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

|   | General             | Lighting and<br>Landscaping<br>Districts | Public<br>Protection | Low and Moderate<br>Income Housing<br>Asset |
|---|---------------------|--|----------------------|---|
| <b>REVENUES</b>   |                     |  |                      |   |
| Property taxes  | \$4,832,574         |  |                      |   |
| Sales tax   | 1,506,300           |  |                      |   |
| Other taxes   | 1,494,472           |  |                      |   |
| Licenses and permits  | 1,284,503           |  |                      |   |
| Charges for services  | 74,901              |  |                      |   |
| Fines and forfeits  | 135,352             |  |                      |   |
| Intergovernmental:  |                     |  |                      |   |
| Motor vehicle in lieu   | 15,603              |  |                      |   |
| Other   | 527,342             |  | \$113,973            |   |
| Developer fees  |                     |  |                      |   |
| Special assessments   |                     | \$3,292,687                              | 3,336,854            |   |
| Loan repayments   |                     |  |                      | \$2,400                                     |
| Use of money and property   | 238,815             | 13,925                                   | 659                  | 51,403                                      |
| Miscellaneous   | 935,706             | 17,204                                   |                      |   |
| <b>Total Revenues</b>   | <b>11,045,568</b>   | <b>3,323,816</b>                         | <b>3,451,486</b>     | <b>53,803</b>                               |
| <b>EXPENDITURES</b>   |                     |  |                      |   |
| Current:  |                     |  |                      |   |
| Legislative   | 449,349             |  |                      |   |
| Administrative Services   | 1,287,373           |  |                      |   |
| Community Development   | 1,345,552           |  |                      |   |
| Public Works  | 611,690             | 2,904,134                                |                      |   |
| Housing programs  |                     |  |                      | 5,045                                       |
| Law Enforcement   | 4,523,333           |  | 3,451,486            |   |
| Recreation  | 433,155             |  |                      |   |
| Capital outlay  |                     | 12,442                                   |                      |   |
| Estimated reduction in value of land held<br>for redevelopment (Note 6) | 40,000              |  |                      |   |
| Debt service:   |                     |  |                      |   |
| Principal   |                     |  |                      |   |
| Interest and fiscal charges   |                     | 131                                      |                      | 3,478                                       |
| <b>Total Expenditures</b>   | <b>8,690,452</b>    | <b>2,916,707</b>                         | <b>3,451,486</b>     | <b>8,523</b>                                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>    | <b>2,355,116</b>    | <b>407,109</b>                           |                      | <b>45,280</b>                               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                   |                     |  |                      |   |
| Proceeds from sale of property  | 10,000              |  |                      |   |
| Transfers in (Note 4A)  | 1,852               | 220,946                                  |                      |   |
| Transfers (out) (Note 4A)   | (1,432,500)         |  |                      |   |
| <b>Total Other Financing Sources (Uses)</b>                             | <b>(1,420,648)</b>  | <b>220,946</b>                           |                      |   |
| <b>NET CHANGE IN FUND BALANCES BEFORE<br/>SPECIAL ITEMS</b>             | <b>934,468</b>      | <b>628,055</b>                           |                      | <b>45,280</b>                               |
| Specials item (Note 15A)  |                     |  |                      |   |
| Assets transferred to/from Successor Agency                             | (274,305)           |  |                      |   |
| <b>NET CHANGE IN FUND BALANCES</b>                                      | <b>660,163</b>      | <b>628,055</b>                           |                      | <b>45,280</b>                               |
| <b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR</b>                     | <b>12,381,961</b>   | <b>6,446,883</b>                         |                      | <b>(1,302,483)</b>                          |
| <b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>                           | <b>\$13,042,124</b> | <b>\$7,074,938</b>                       |                      | <b>(\$1,257,203)</b>                        |

See accompanying notes to financial statements

| <u>Traffic<br/>Impact<br/>Fees</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------------|---|---|
|                                    | \$498,378                               | \$5,330,952                             |
|                                    |   | 1,506,300                               |
|                                    |   | 1,494,472                               |
|                                    |   | 1,284,503                               |
|                                    |   | 74,901                                  |
|                                    |   | 135,352                                 |
|                                    |   | 15,603                                  |
|                                    | 1,994,452                               | 2,635,767                               |
| \$1,320,389                        | 939,267                                 | 2,259,656                               |
|                                    | 294,261                                 | 6,923,802                               |
|                                    |   | 2,400                                   |
| 654                                | 10,993                                  | 316,449                                 |
|                                    | 162,657                                 | 1,115,567                               |
| <u>1,321,043</u>                   | <u>3,900,008</u>                        | <u>23,095,724</u>                       |
|                                    |   | 449,349                                 |
|                                    |   | 1,287,373                               |
|                                    | 475,290                                 | 1,820,842                               |
| 7,210                              | 1,138,207                               | 4,661,241                               |
|                                    |   | 5,045                                   |
|                                    |   | 7,974,819                               |
|                                    | 89,070                                  | 522,225                                 |
| 2,643,953                          | 2,636,180                               | 5,292,575                               |
|                                    |   | 40,000                                  |
|                                    | 265,000                                 | 265,000                                 |
|                                    | 302,164                                 | 305,773                                 |
| <u>2,651,163</u>                   | <u>4,905,911</u>                        | <u>22,624,242</u>                       |
| <u>(1,330,120)</u>                 | <u>(1,005,903)</u>                      | <u>471,482</u>                          |
|                                    |   | 10,000                                  |
|                                    | 2,004,135                               | 2,226,933                               |
|                                    | (794,433)                               | (2,226,933)                             |
|                                    | 1,209,702                               | 10,000                                  |
| <u>(1,330,120)</u>                 | <u>203,799</u>                          | <u>481,482</u>                          |
|                                    |   | (274,305)                               |
| <u>(1,330,120)</u>                 | <u>203,799</u>                          | <u>207,177</u>                          |
| <u>5,039,745</u>                   | <u>7,249,098</u>                        | <u>29,815,204</u>                       |
| <u>\$3,709,625</u>                 | <u>\$7,452,897</u>                      | <u>\$30,022,381</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, 2015

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 \$207,177

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  | 5,283,047   |
| Depreciation expense is deducted from fund balance<br>(Depreciation expense is net of internal service fund depreciation of \$492,410 which has already been allocated to serviced funds.) | (6,012,282) |
| Capital assets transferred from the Successor Agency are added to fund balance   | 636,487     |

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 | 265,000 |
|---|---------|

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                             | (73,222) |
| Accrued liabilities   | 134,877  |
| Interest payable  | 1,766    |
| Unavailable revenue   | 163,617  |
| Net pension liability and deferred outflows/inflows related to pensions | 40,717   |
| Claims payable  | (41,852) |

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>(448,692)</u> |
|--|------------------|

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$156,640

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, 2015

|   | Original<br>Budget   | Amended<br>Budget    | Actual              | Variance<br>Positive<br>(Negative) |
|---|----------------------|----------------------|---------------------|------------------------------------|
| <b>REVENUES</b>   |                      |                      |                     |                                    |
| Property taxes  | \$4,175,000          | \$4,644,150          | \$4,832,574         | \$188,424                          |
| Sales taxes   | 1,475,000            | 1,346,500            | 1,506,300           | 159,800                            |
| Other taxes   | 1,438,000            | 1,483,000            | 1,494,472           | 11,472                             |
| Licenses and permits  | 919,500              | 803,038              | 1,284,503           | 481,465                            |
| Charges for services  | 54,000               | 54,000               | 74,901              | 20,901                             |
| Fines and forfeits  | 151,500              | 151,500              | 135,352             | (16,148)                           |
| Intergovernmental:  |                      |                      |                     |                                    |
| Motor vehicle in lieu   |                      | 16,000               | 15,603              | (397)                              |
| Other   | 19,000               | 334,559              | 527,342             | 192,783                            |
| Use of money and property   | 82,000               | 197,000              | 238,815             | 41,815                             |
| Miscellaneous   | 1,060,083            | 869,382              | 935,706             | 66,324                             |
| Total Revenues  | <u>9,374,083</u>     | <u>9,899,129</u>     | <u>11,045,568</u>   | <u>1,146,439</u>                   |
| <b>EXPENDITURES</b>   |                      |                      |                     |                                    |
| Current:  |                      |                      |                     |                                    |
| Legislative   | 482,343              | 499,344              | 449,349             | 49,995                             |
| Administrative Services   | 1,449,513            | 1,472,596            | 1,287,373           | 185,223                            |
| Community Development   | 1,379,032            | 1,410,919            | 1,345,552           | 65,367                             |
| Public Works  | 312,713              | 672,576              | 611,690             | 60,886                             |
| Law Enforcement   | 5,253,000            | 5,276,714            | 4,523,333           | 753,381                            |
| Recreation  | 485,482              | 528,289              | 433,155             | 95,134                             |
| Estimated reduction in value of land held<br>for redevelopment (Note 6) |                      |                      | 40,000              | (40,000)                           |
| Total Expenditures  | <u>9,362,083</u>     | <u>9,860,438</u>     | <u>8,690,452</u>    | <u>1,169,986</u>                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>    | <u>12,000</u>        | <u>38,691</u>        | <u>2,355,116</u>    | <u>2,316,425</u>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                   |                      |                      |                     |                                    |
| Proceeds from sale of property  |                      | 135,000              | 10,000              | (125,000)                          |
| Transfers in  |                      |                      | 1,852               | 1,852                              |
| Transfers (out)   | (1,982,000)          | (1,432,500)          | (1,432,500)         |                                    |
| Total Other Financing Sources (Uses)                                    | <u>(1,982,000)</u>   | <u>(1,297,500)</u>   | <u>(1,420,648)</u>  | <u>(123,148)</u>                   |
| <b>NET CHANGE IN FUND BALANCES BEFORE<br/>SPECIAL ITEMS</b>             | <u>(\$1,970,000)</u> | <u>(\$1,258,809)</u> | 934,468             | <u>\$2,193,277</u>                 |
| <b>SPECIAL ITEMS (Note 15A)</b>   |                      |                      |                     |                                    |
| Assets transferred to/from the Successor Agency                         |                      |                      | (274,305)           |                                    |
| <b>NET CHANGE IN FUND BALANCES</b>                                      |                      |                      | 660,163             |                                    |
| Fund balance at beginning of year                                       |                      |                      | <u>12,381,961</u>   |                                    |
| Fund balance at end of year   |                      |                      | <u>\$13,042,124</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, 2015

|  | Original<br>Budget | Amended<br>Budget | Actual             | Variance<br>Positive<br>(Negative) |
|--|--------------------|-------------------|--------------------|------------------------------------|
| <b>REVENUES</b>  |                    |                   |                    |                                    |
| Special assessments  | \$3,173,619        | \$3,195,619       | \$3,292,687        | \$97,068                           |
| Use of money and property  | 4,060              | 4,060             | 13,925             | 9,865                              |
| Miscellaneous  |                    |                   | 17,204             | 17,204                             |
| Total Revenues   | <u>3,177,679</u>   | <u>3,199,679</u>  | <u>3,323,816</u>   | <u>124,137</u>                     |
| <b>EXPENDITURES</b>  |                    |                   |                    |                                    |
| Current:   |                    |                   |                    |                                    |
| Public Works   | 3,045,209          | 3,237,817         | 2,904,134          | 333,683                            |
| Capital outlay   |                    | 91,256            | 12,442             | 78,814                             |
| Debt service:  |                    |                   |                    |                                    |
| Interest and fiscal charges  |                    |                   | 131                | (131)                              |
| Total Expenditures   | <u>3,045,209</u>   | <u>3,329,073</u>  | <u>2,916,707</u>   | <u>412,366</u>                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>132,470</u>     | <u>(129,394)</u>  | <u>407,109</u>     | <u>536,503</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                    |                   |                    |                                    |
| Transfers in   | <u>120,860</u>     | <u>308,214</u>    | <u>220,946</u>     | <u>(87,268)</u>                    |
| Total Other Financing Sources (Uses)                                 | <u>120,860</u>     | <u>308,214</u>    | <u>220,946</u>     | <u>(87,268)</u>                    |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <u>\$253,330</u>   | <u>\$178,820</u>  | <u>628,055</u>     | <u>\$449,235</u>                   |
| Fund balance at beginning of year                                    |                    |                   | <u>6,446,883</u>   |                                    |
| Fund balance at end of year  |                    |                   | <u>\$7,074,938</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, 2015

|                                    | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>               | <u>Variance<br/>Positive<br/>(Negative)</u> |
|------------------------------------|----------------------------|---------------------------|-----------------------------|---|
| <b>REVENUES</b>                    |                            |                           |                             |   |
| Intergovernmental:                 |                            |                           |                             |   |
| Other                              | \$100,000                  | \$100,000                 | \$113,973                   | \$13,973                                    |
| Special assessments                | 3,308,000                  | 3,308,000                 | 3,336,854                   | 28,854                                      |
| Use of money and property          | 250                        | 250                       | 659                         | 409   |
| Total Revenues                     | <u>3,408,250</u>           | <u>3,408,250</u>          | <u>3,451,486</u>            | <u>43,236</u>                               |
| <b>EXPENDITURES</b>                |                            |                           |                             |   |
| Current:                           |                            |                           |                             |   |
| Law Enforcement                    | <u>3,408,250</u>           | <u>3,408,250</u>          | <u>3,451,486</u>            | <u>(43,236)</u>                             |
| Total Expenditures                 | <u>3,408,250</u>           | <u>3,408,250</u>          | <u>3,451,486</u>            | <u>(43,236)</u>                             |
| <b>NET CHANGE IN FUND BALANCES</b> |                            |                           |                             |   |
| Fund balance at beginning of year  |                            |                           | <u>                    </u> |   |
| Fund balance at end of year        |                            |                           | <u>                    </u> |   |

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, 2015

|   | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>        | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------------|----------------------|---|
| REVENUES                                    |                            |                           |                      |   |
| Loan repayment                              | \$2,400                    | \$2,400                   | \$2,400              |   |
| Use of money and property                   | <u>12,000</u>              | <u>17,024</u>             | <u>51,403</u>        | \$34,379                                    |
| Total Revenues                              | <u>14,400</u>              | <u>19,424</u>             | <u>53,803</u>        | <u>34,379</u>                               |
| EXPENDITURES                                |                            |                           |                      |   |
| Current:                                    |                            |                           |                      |   |
| Housing programs                            |                            | 5,045                     | 5,045                |   |
| Debt service:                               |                            |                           |                      |   |
| Interest                                    | <u>3,500</u>               | <u>3,479</u>              | <u>3,478</u>         | <u>1</u>                                    |
| Total Expenditures                          | <u>3,500</u>               | <u>8,524</u>              | <u>8,523</u>         | <u>1</u>                                    |
| NET CHANGE IN FUND BALANCES                 | <u>\$10,900</u>            | <u>\$10,900</u>           | 45,280               | <u>\$34,378</u>                             |
| Fund balance (deficit) at beginning of year |                            |                           | <u>(1,302,483)</u>   |   |
| Fund balance (deficit) at end of year       |                            |                           | <u>(\$1,257,203)</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, 2015

|   | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|---|---|
| <b>ASSETS</b>   |   |
| Current:  |   |
| Cash and investments available for operations (Note 3)    | \$1,541,783   |
| Receivables:  |   |
| Interest  | <u>852</u>  |
| Total Current Assets                                      | <u>1,542,635</u>  |
| Noncurrent:   |   |
| Capital assets (net of accumulated depreciation) (Note 7) | <u>7,228,994</u>  |
| Total Assets  | <u>8,771,629</u>  |
| <b>LIABILITIES</b>  |   |
| Accounts payable  | <u>542</u>  |
| Total Assets  | <u>542</u>  |
| <b>NET POSITION (Note 10)</b>                             |   |
| Net investment in capital assets                          | 7,228,994   |
| Unrestricted  | <u>1,542,093</u>  |
| Total Net Position  | <u><u>\$8,771,087</u></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, 2015

|   | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|---|---|
| <b>OPERATING REVENUES</b>               |   |
| Charges for services                    | <u>\$50,000</u>   |
| Total Operating Revenues                | <u>50,000</u>   |
| <b>OPERATING EXPENSES</b>               |   |
| Supplies                                | 47,638  |
| Depreciation                            | <u>492,410</u>  |
| Total Operating Expenses                | <u>540,048</u>  |
| Operating Income (Loss)                 | <u>(490,048)</u>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |   |
| Interest income                         | 3,034   |
| Gain from disposition of capital assets | <u>3,855</u>  |
| Total Nonoperating Revenues             | <u>6,889</u>  |
| Income (Loss) Before Contributions      | (483,159)   |
| Contributions                           | <u>34,467</u>   |
| Change in net position                  | (448,692)   |
| <b>BEGINNING NET POSITION</b>           | <u>9,219,779</u>  |
| <b>ENDING NET POSITION</b>              | <u><u>\$8,771,087</u></u>   |

See accompanying notes to financial statements

CITY OF OAKLEY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

|   | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |
| Receipts from customers   | \$50,000  |
| Payments to suppliers   | <u>(72,936)</u>   |
| Cash Flows from Operating Activities  | <u>(22,936)</u>   |
| <b>CASH FLOWS FROM CAPITAL<br/>FINANCING ACTIVITIES</b>                                       |   |
| Acquisition of capital assets   | (96,687)  |
| Proceeds from sale of capital assets  | <u>3,855</u>  |
| Cash Flows from Capital Financing Activities  | <u>(92,832)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |
| Interest  | <u>2,913</u>  |
| Net Cash Flows  | (112,855)   |
| Cash and investments at beginning of period   | <u>1,654,638</u>  |
| Cash and investments at end of period   | <u><u>\$1,541,783</u></u>                                 |
| <b>NONCASH TRANSACTIONS</b>   |   |
| Contribution of capital assets  | <u><u>\$34,467</u></u>                                    |
| <b>Reconciliation of Operating Income (Loss) to Cash Flows<br/>from Operating Activities:</b> |   |
| Operating income (loss)   | (\$490,048)   |
| Adjustments to reconcile operating income (loss) to cash flows<br>from operating activities:  |   |
| Depreciation  | 492,410   |
| Net change in liabilities:  |   |
| Accounts payable  | <u>(25,298)</u>   |
| Cash Flows from Operating Activities  | <u><u>(22,936)</u></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, 2015

|  | Successor Agency<br>to the<br>Redevelopment Agency<br>Private Purpose<br>Trust Fund | Agency<br>Funds |
|--|---|-----------------|
| <b>ASSETS</b>  |   |                 |
| Cash and investments (Note 3)                                | \$1,864,198   | \$2,653,998     |
| Cash and investments with fiscal agent (Note 3)              | 2,012,751   | 1,597,808       |
| Accounts receivable  | 132,798   |                 |
| Interest receivable  |   | 757             |
| Loans receivable (Note 15B)                                  | 1,226,719   |                 |
| Land held for redevelopment (Note 15C)                       | 3,272,107   |                 |
| Capital assets (Note 15D):                                   |   |                 |
| Land and construction in progress                            | 3,694,908   |                 |
| Depreciable, net   | 17,079,400  |                 |
| <br>Total Assets   | <br>29,282,881  | <br>\$4,252,563 |
| <b>LIABILITIES</b>   |   |                 |
| Accounts payable   | 463,329   |                 |
| Due to other agencies  |   | \$892,133       |
| Due to bondholders   |   | 3,360,430       |
| Long-term debt (Note 15E):                                   |   |                 |
| Due within one year  | 425,000   |                 |
| Due in more than one year                                    | 29,335,000  |                 |
| <br>Total Liabilities  | <br>30,223,329  | <br>\$4,252,563 |
| <b>NET POSITION</b>  |   |                 |
| Held in Trust for the Successor Agency and Other Governments | (\$940,448)   |                 |

See accompanying notes to financial statements

CITY OF OAKLEY  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

|   | Successor Agency<br>to the<br>Redevelopment Agency<br>Private-Purpose<br>Trust Fund |
|---|---|
|   |   |
| <b>ADDITIONS</b>  |   |
| Property taxes  | \$2,525,004   |
| Charges for services  | 13,680  |
| Use of money and property   | 209,946   |
| Miscellaneous   | 84,943  |
| Gain from sale of property  | 35,591  |
|   | 2,869,164   |
| <b>DEDUCTIONS</b>   |   |
| Redevelopment and Economic Development  | 393,604   |
| Depreciation  | 589,899   |
| Debt service:   |   |
| Interest and fiscal charges   | 1,787,947   |
|   | 2,771,450   |
| Total Deductions  | 2,771,450   |
| Change in Net Position Before Special Items   | 97,714  |
| <b>SPECIAL ITEMS</b>  |   |
| Settlement payment from City (Note 15A)   | 1,450,500   |
| Payment to the County Auditor-Controller (Note 15A)   | (1,418,284)   |
| Transfer loan receivable to City (Note 15A)   | (1,176,195)   |
| Transfer capital assets to City (Note 15A)  | (636,487)   |
|   | (1,682,752)   |
| Change in Net Position  | (1,682,752)   |
| <b>NET POSITION HELD IN TRUST FOR SUCCESSOR<br/>           AGENCY AND OTHER GOVERNMENTS</b> |   |
| Beginning of year   | 742,304   |
|   | 742,304   |
| End of year   | (\$940,448)   |
|   | (\$940,448)   |

See accompanying notes to financial statements

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**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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, 2015**

**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, 2015**

**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 assets held on behalf of 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, 2015**

**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 reports 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 reports 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, 2015 were comprised of the following:

| Governmental Activities:  | Taxes            | Accounts         | Inter-Governmental | Total Receivables  |
|---|------------------|------------------|--------------------|--------------------|
| General Fund  | \$253,947        | \$344,030        | \$282,738          | \$880,715          |
| Public Protection Fund  |                  |                  | 11,021             | 11,021             |
| Low and Moderate Income Housing Asset Fund                        |                  |                  | 10,764             | 10,764             |
| Non-Major Governmental Funds                                      |                  |                  | 105,229            | 105,229            |
| Total Accounts Receivable, net of allowance for doubtful accounts | <u>\$253,947</u> | <u>\$344,030</u> | <u>\$409,752</u>   | <u>\$1,007,729</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, 2015**

**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:

|                   | Governmental<br>Activities |
|-------------------|----------------------------|
| Beginning Balance | \$366,439                  |
| Additions         | 271,923                    |
| Payments          | (198,701)                  |
| Ending Balance    | \$439,661                  |
| Current Portion   | \$268,594                  |

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. *Re-Opened Fund and New Fund***

The Cypress Grove Capital Projects Fund had been closed as of June 30, 2014, however the Fund received additional project funding from the restructuring/refinancing of the assessment district bonds and was reopened during the year ended June 30, 2015.

The Street Maintenance Reserve Capital Projects Fund was established to account for the accumulation of funds for the long-term maintenance of the City's streets. The amounts transferred into the reserve will be used to augment the City's Gas Tax, Measure J, and other street improvement revenues in completing street maintenance and improvement projects. The reserve shall be considered fully funded when the balance and the combination of anticipated special revenues eligible for street maintenance is sufficient to pay for the next 3 years' anticipated maintenance, which is anticipated to occur by June 30, 2018.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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 Protection Special Revenue Fund incurred expenditures in excess of appropriations in the amount \$43,236. The fund had sufficient revenues to finance these expenditures.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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                 | \$31,396,255 |
| Cash and investments with fiscal agent                        | 648,469      |
| Total City Cash and Investments                               | 32,044,724   |
| Cash and investments in Fiduciary Funds (Separate Statement): |              |
| Successor Agency to the Redevelopment                         |              |
| Agency Private Purpose Trust Fund:                            |              |
| Cash available for operations                                 | 1,864,198    |
| Cash and investments with fiscal agent                        | 2,012,751    |
| Agency Funds:   |              |
| Cash and investments available for operations                 | 2,653,998    |
| Cash and investments with fiscal agent                        | 1,597,808    |
| Total Cash and Investments                                    | \$40,173,479 |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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:<br>Federal Home Loan Bank<br>Federal National Mortgage Association<br>Federal Farm Credit Bank<br>Federal Home Loan Mortgage Corporation<br>Student Loan Marketing Association<br>Government National Mortgage Association | 5 years          |                        | No Limit                        | No Limit                         |
| 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, 2015**

**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/AAA <sub>m</sub> /AAA <sub>m</sub> |
| 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, 2015**

**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, 2015, 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 (\$508,171) and May 18, 2017 (\$253,735):

| Investment Type                               |              |
|---|--------------|
| <i>Cash and Investments in City Treasury:</i> |              |
| Money Market Funds                            | \$1,773,553  |
| Local Agency Investment Fund                  | 20,924,551   |
| CalTRUST                                      | 9,031,282    |
| <i>Held by Fiscal Agents:</i>                 |              |
| California Asset Management Program           | 2,000,846    |
| Money Market Funds                            | 1,496,276    |
| Certificates of Deposit                       | 761,906      |
| Total Investments                             | 35,988,414   |
| <i>Cash deposits in banks and petty cash</i>  | 4,185,065    |
| Total Cash and Investments                    | \$40,173,479 |

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, 2015 these investments matured in an average of 239 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, 2015, these investments matured in an average of 511 days.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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, 2015, the fair value approximated is the Agency's cost. At June 30, 2015, these investments have an average maturity of 28 days.

Money market funds are available for withdrawal on demand and at June 30, 2015 matured in an average of 60 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, 2015 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, 2015.

**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, 2015:

| Issuer               | Investment Type        | Amount    |
|----------------------|------------------------|-----------|
| <i>Agency Funds:</i> |                        |           |
| GE Capital           | Certificate of Deposit | \$253,735 |
| Discover Bank        | Certificate of Deposit | 254,203   |
| Goldman Sachs        | Certificate of Deposit | 253,968   |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. Transfers between Funds during the fiscal year ended June 30, 2015 and the purpose for each were as follows:

| Fund Receiving Transfer                                 | Fund Making Transfers        | Transfer Amount    |
|---|------------------------------|--------------------|
| General Fund  | Non-Major Governmental Funds | \$1,852 (A)        |
| Lighting and Landscaping Districts Special Revenue Fund | Non-Major Governmental Funds | 220,946 (A)        |
| Non-Major Governmental Funds                            | General Fund                 | 1,432,500 (B)      |
| Non-Major Governmental Funds                            | Non-Major Governmental Funds | 571,635 (B), (C)   |
|   | Total Interfund Transfers    | <u>\$2,226,933</u> |

(A) To fund operations.

(B) To fund capital projects.

(C) To fund debt service.

**B. Long-Term Interfund Advances**

At June 30, 2015 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 unavailable revenue or nonspendable fund balance.

| Advances to Other Funds | Advances from Other Funds                                  | Advanced Amount    |
|-------------------------|--|--------------------|
| General Fund            | Lighting and Landscaping Districts Special Revenue Fund    | \$62,232           |
| General Fund            | Non-Major Funds  | 246,000            |
| Traffic Impact Fees     | Low and Moderate Income Housing Asset Special Revenue Fund | 641,480            |
| Non-Major Funds         | Low and Moderate Income Housing Asset Special Revenue Fund | 627,821            |
|                         | Total Interfund Advances                                   | <u>\$1,577,533</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 \$62,232 at June 30, 2015.

The General Fund agreed to advance \$150,000 to the Public Facilities Impact Fee Capital Projects Fund to fund a debt service shortfall. During fiscal year 2015, the General Fund made an additional advance of \$96,000. The advances bear interest at the City's investment pool rate. The balance of the advance totaled \$246,000 at June 30, 2015.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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 0.2575% for fiscal year 2015. The balance outstanding at June 30, 2015 was \$1,269,301.

**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, 2015 are set forth below:

|                                     |                     |
|-------------------------------------|---------------------|
| Golden Oak Manor                    | \$1,242,848         |
| Silver Oak Apartments               | 622,078             |
| Oakley Senior Housing               | 814,558             |
| Oakley Cypress Associates           | 3,218,750           |
| Carol Lane                          | 4,825,134           |
| First Time Homebuyer                | 160,068             |
| Employee Home Loans                 | 542,291             |
| Manuel's Five Star Restaurant, Inc. | 1,314,298           |
| New Lifeline Ministries             | 36,165              |
| Total                               | <u>\$12,776,190</u> |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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, 2015**

**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, 2015 had a remaining balance of \$452,122.

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, 2015, and at June 30, 2015 the loan has a remaining balance of \$90,169.

As of June 30, 2015, the combined balance of these loans is \$542,291.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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-recording 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.

***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; and the amount was paid on full on that date.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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. (MFSR), 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.

As discussed in Note 15A, a settlement agreement was executed between the City and Department of Finance and the Contra Costa County Auditor-Controller which allowed the City to acquire all rights and interest in the Disposition and Development Agreement (DDA) and the associated construction loan receivable from MFSR, while the Successor Agency retains the enhancement loan. The construction loan bears interest of 5% on outstanding principal and unpaid interest, is secured by a first deed of trust and is payable in monthly installments. The loan becomes due upon sale of the property. The balance of the construction loan at the time of the settlement agreement was \$1,176,195.

The outstanding balance of the loans was \$1,314,298 at June 30, 2015.

Under the terms of the DDA, MFSR is responsible for the payment of property taxes, fees and assessments on the property. In October 2015, the City notified MFSR that they were in default under the terms of the DDA for failure to pay Ironhouse Sanitary District fees for fiscal years 2014 and 2015 of \$22,862. In order to protect the rights in the property, the City paid the delinquent fees in October 2015, including penalties of \$365. MFSR is to repay the \$23,227 over a twelve month period, with an initial payment of \$4,027 and equal monthly payments of \$1,600.

**L. *New Lifeline Ministries***

The City installed frontage improvements that are to be paid by the property owner, New Lifeline Ministries. Under the terms of a June 2015 reimbursement agreement, New Lifeline Ministries agreed to reimburse the City for its costs incurred in the amount of \$36,165. The loan is unsecured, bears interest of 1% and is repayable in equal monthly installments over 15 years.

**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.

During fiscal year 2015, the City reduced the carrying value of one parcel by \$40,000 to reflect the net realizable value related to the sale of the property that occurred subsequent to the end of the fiscal year.

The balance of land held for resale in the General Fund at June 30, 2015 was \$2,182,235.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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,<br>curb & gutters, trees & signs) | 10-40 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, 2015**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**A. Capital Assets Additions and Retirements**

Capital asset balances comprise the following:

|   | Balance as of<br>June 30, 2014 | Additions            | Transfers          | Transfer from<br>Successor<br>Agency | Balance as of<br>June 30, 2015 |
|---|--------------------------------|----------------------|--------------------|--------------------------------------|--------------------------------|
| <b>Governmental Activities:</b>                   |                                |                      |                    |                                      |                                |
| Capital assets not being depreciated:             |                                |                      |                    |                                      |                                |
| Land  | \$9,266,464                    |                      |                    | \$636,487                            | \$9,902,951                    |
| Construction in Progress                          | 4,056,518                      | \$5,265,996          | (\$5,741,451)      |                                      | 3,581,063                      |
| <b>Total capital assets not being depreciated</b> | <b>13,322,982</b>              | <b>5,265,996</b>     | <b>(5,741,451)</b> | <b>636,487</b>                       | <b>13,484,014</b>              |
| Capital assets being depreciated:                 |                                |                      |                    |                                      |                                |
| Buildings and Improvements                        | 9,752,521                      | 6,267                |                    |                                      | 9,758,788                      |
| Machinery and Equipment                           | 2,130,694                      | 29,122               |                    |                                      | 2,159,816                      |
| Vehicles  | 1,339,447                      | 95,764               |                    |                                      | 1,435,211                      |
| Roadways:   |                                |                      |                    |                                      |                                |
| Pavement  | 156,331,812                    |                      | 4,844,422          |                                      | 161,176,234                    |
| Sidewalks   | 9,797,203                      |                      |                    |                                      | 9,797,203                      |
| Curbs and Gutters                                 | 9,678,513                      |                      |                    |                                      | 9,678,513                      |
| Traffic Signals                                   | 2,946,489                      |                      | 40,506             |                                      | 2,986,995                      |
| Regulatory Signs and Street Trees                 | 1,289,802                      |                      | 63,421             |                                      | 1,353,223                      |
| Street Lights                                     | 3,239,203                      |                      |                    |                                      | 3,239,203                      |
| Bridges   | 4,422,722                      |                      |                    |                                      | 4,422,722                      |
| Parks and Recreation Structures                   | 11,211,291                     | 17,052               | 793,102            |                                      | 12,021,445                     |
| <b>Total capital assets being depreciated</b>     | <b>212,139,697</b>             | <b>148,205</b>       | <b>5,741,451</b>   |                                      | <b>218,029,353</b>             |
| Less accumulated depreciation for:                |                                |                      |                    |                                      |                                |
| Buildings and Improvements                        | (2,517,803)                    | (266,232)            |                    |                                      | (2,784,035)                    |
| Machinery and Equipment                           | (1,877,269)                    | (98,690)             |                    |                                      | (1,975,959)                    |
| Vehicles  | (909,624)                      | (153,242)            |                    |                                      | (1,062,866)                    |
| Roadways:   |                                |                      |                    |                                      |                                |
| Pavements   | (53,584,903)                   | (4,897,294)          |                    |                                      | (58,482,197)                   |
| Sidewalks   | (2,668,619)                    | (130,632)            |                    |                                      | (2,799,251)                    |
| Curbs and Gutters                                 | (2,602,270)                    | (129,031)            |                    |                                      | (2,731,301)                    |
| Traffic Signals                                   | (1,101,210)                    | (118,668)            |                    |                                      | (1,219,878)                    |
| Regulatory Signs and Street Trees                 | (790,195)                      | (129,591)            |                    |                                      | (919,786)                      |
| Street Lights                                     | (913,021)                      | (80,980)             |                    |                                      | (994,001)                      |
| Bridges   | (937,020)                      | (44,226)             |                    |                                      | (981,246)                      |
| Parks and Recreation Structures                   | (3,306,477)                    | (456,106)            |                    |                                      | (3,762,583)                    |
| <b>Total accumulated depreciation</b>             | <b>(71,208,411)</b>            | <b>(6,504,692)</b>   |                    |                                      | <b>(77,713,103)</b>            |
| <b>Net capital assets being depreciated</b>       | <b>140,931,286</b>             | <b>(6,356,487)</b>   | <b>5,741,451</b>   |                                      | <b>140,316,250</b>             |
| <b>Governmental activity capital assets, net</b>  | <b>\$154,254,268</b>           | <b>(\$1,090,491)</b> |                    | <b>\$636,487</b>                     | <b>\$153,800,264</b>           |

As discussed in Note 15A, pursuant to the terms of the settlement agreement, the Successor Agency transferred a land parcel with a book value of \$636,487 to the City during fiscal year 2015.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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:

| <i>Governmental Activities</i>       |                           |
|--------------------------------------|---------------------------|
| Administrative Services              | \$25,754                  |
| Public Works                         | 5,986,528                 |
| Internal Service Funds               | <u>492,410</u>            |
| <b>Total Governmental Activities</b> | <u><u>\$6,504,692</u></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.

|   | <u>Original<br/>Issue<br/>Amount</u> | <u>Balance<br/>June 30, 2014</u> | <u>Retirements</u> | <u>Balance<br/>June 30, 2015</u> | <u>Current<br/>Portion</u> |
|---|--------------------------------------|----------------------------------|--------------------|----------------------------------|----------------------------|
| <b>2006 Certificates of Participation</b> |                                      |                                  |                    |                                  |                            |
| 4.00-4.50%, due 5/1/2032                  | <u>\$8,500,000</u>                   | <u>\$6,955,000</u>               | <u>(\$265,000)</u> | <u>\$6,690,000</u>               | <u>\$275,000</u>           |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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<br>Ending June 30 | Principal          | Interest           |
|--------------------------------|--------------------|--------------------|
| 2016                           | \$275,000          | \$286,035          |
| 2017                           | 285,000            | 275,035            |
| 2018                           | 300,000            | 263,635            |
| 2019                           | 310,000            | 251,635            |
| 2020                           | 325,000            | 239,235            |
| 2021 - 2025                    | 1,830,000          | 987,715            |
| 2026 - 2030                    | 2,290,000          | 557,030            |
| 2031 - 2032                    | 1,075,000          | 73,125             |
|                                | <u>\$6,690,000</u> | <u>\$2,933,445</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. 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. 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 \$13,690,000 and \$9,070,000, respectively, at June 30, 2015.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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, 2015**

**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, 2015**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

Detailed classifications of the City's Fund Balances, as of June 30, 2015, are below:

| Fund Balance Classifications            | Major Special Revenue Funds |                                   |                   | Major Capital Projects Fund      |                     | Total              |                          |
|---|-----------------------------|-----------------------------------|-------------------|----------------------------------|---------------------|--------------------|--------------------------|
|   | General Fund                | Lighting and Landscaping District | Public Protection | Low and Mod Income Housing Asset | Traffic Impact Fees |                    | Other Governmental Funds |
| <b>Nonspendables:</b>                   |                             |                                   |                   |                                  |                     |                    |                          |
| Items not in spendable form:            |                             |                                   |                   |                                  |                     |                    |                          |
| Prepays and Deposits                    | \$27,868                    |                                   |                   |                                  |                     | \$240              | \$28,108                 |
| Loans Receivable                        | 1,856,589                   |                                   |                   |                                  |                     |                    | 1,856,589                |
| Land Held for resale                    | 2,182,235                   |                                   |                   |                                  |                     |                    | 2,182,235                |
| Advances                                | 308,232                     |                                   |                   |                                  |                     |                    | 308,232                  |
| <b>Total Nonspendable Fund Balances</b> | <b>4,374,924</b>            |                                   |                   |                                  |                     | <b>240</b>         | <b>4,375,164</b>         |
| <b>Restricted for:</b>                  |                             |                                   |                   |                                  |                     |                    |                          |
| Dutch Slough                            | 559,498                     |                                   |                   |                                  |                     |                    | 559,498                  |
| Lighting and landscaping services       |                             | \$7,074,938                       |                   |                                  |                     |                    | 7,074,938                |
| Traffic impact projects                 |                             |                                   |                   |                                  | \$3,709,625         |                    | 3,709,625                |
| Fire impact projects                    |                             |                                   |                   |                                  |                     | 81,026             | 81,026                   |
| Street maintenance and improvement      |                             |                                   |                   |                                  |                     | 2,186,188          | 2,186,188                |
| NPDES projects                          |                             |                                   |                   |                                  |                     | 1,283,455          | 1,283,455                |
| Community Facilities District #1        |                             |                                   |                   |                                  |                     | 1,452,975          | 1,452,975                |
| Agricultural Conservation               |                             |                                   |                   |                                  |                     | 19,241             | 19,241                   |
| Childcare facilities projects           |                             |                                   |                   |                                  |                     | 585,030            | 585,030                  |
| Debt Service                            |                             |                                   |                   |                                  |                     | 580,205            | 580,205                  |
| Park Impact Fees                        |                             |                                   |                   |                                  |                     | 478,290            | 478,290                  |
| Cypress Grove improvements              |                             |                                   |                   |                                  |                     | 73,704             | 73,704                   |
| <b>Total Restricted Fund Balances</b>   | <b>559,498</b>              | <b>7,074,938</b>                  |                   |                                  | <b>3,709,625</b>    | <b>6,740,114</b>   | <b>18,084,175</b>        |
| <b>Assigned to:</b>                     |                             |                                   |                   |                                  |                     |                    |                          |
| Termination Payments                    | 132,500                     |                                   |                   |                                  |                     |                    | 132,500                  |
| Uninsured Claims Payable                | 25,000                      |                                   |                   |                                  |                     |                    | 25,000                   |
| Capital Replacement                     |                             |                                   |                   |                                  |                     |                    |                          |
| Main Street Projects                    | 12,034                      |                                   |                   |                                  |                     | 829,497            | 841,531                  |
| <b>Total Assigned Fund Balances</b>     | <b>169,534</b>              |                                   |                   |                                  |                     | <b>829,497</b>     | <b>999,031</b>           |
| <b>Unassigned:</b>                      |                             |                                   |                   |                                  |                     |                    |                          |
| General fund                            | 7,938,168                   |                                   |                   |                                  |                     |                    | 7,938,168                |
| Other fund deficits                     |                             |                                   |                   | (\$1,257,203)                    |                     | (116,954)          | (1,374,157)              |
| <b>Total Unassigned Fund Balances</b>   | <b>7,938,168</b>            |                                   |                   | <b>(1,257,203)</b>               |                     | <b>(116,954)</b>   | <b>6,564,011</b>         |
| <b>Total Fund Balances</b>              | <b>\$13,042,124</b>         | <b>\$7,074,938</b>                |                   | <b>(\$1,257,203)</b>             | <b>\$3,709,625</b>  | <b>\$7,452,897</b> | <b>\$30,022,381</b>      |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**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. The balance of the reserve, which is a component of the General Fund's Unassigned Fund Balance was \$173,000 as of June 30, 2015.
- 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. The balance of the reserve was \$132,500 as of June 30, 2015.
- 5) 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. The balance of the reserve was \$25,000 as of June 30, 2015.
- 6) The City will establish a Street Maintenance Reserve Fund for the accumulation of funds for the long-term maintenance of the City's streets. The amounts transferred into the reserve will be used to augment the City's Gas Tax, Measure J, and other street improvement revenues in completing street maintenance and improvement projects. The reserve shall be considered fully funded when the balance and the combination of anticipated special revenues eligible for street maintenance is sufficient to pay for the next 3 years' anticipated maintenance. The City anticipates to fully fund the reserve by June 30, 2018. The balance of the reserve was \$75,000 as of June 30, 2015.
- 7) 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. The balance of the reserve was \$1,343,988 as of June 30, 2015, which does not meet the targeted level. However, management believes the balance is sufficient to fund all anticipated replacements.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

- 8) 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. The balance of the Facilities Maintenance Capital Asset Reserve was \$198,105 as of June 30, 2015 and many of the park operating funds do not have sufficient revenues to adequately fund reserves, which does not meet the targeted level. However, management believes the balance is sufficient to fund all anticipated replacements.
- 9) 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, or \$262,500 as of June 30, 2015. The balance of the reserve which is a component of the NPDES Special Revenue Fund's Restricted Fund Balance was \$262,500 as of June 30, 2015.
- 10) 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, 2015, and therefore was not required to establish a Reserve for Qualifying Expenditures as of June 30, 2015.

**D. Net Position Restatements**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intension of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intension of this Statement is to 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.

The implementation of the above Statements required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was reduced by \$1,176,516. See Note 11 for additional information.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 11 – PENSION PLANS**

**A. General Information about the Pension Plans**

**Plan Descriptions** – All qualified permanent, probationary and part-time employees are eligible to participate in the City’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

In August 2010, the City Council authorized an amendment to the contract between the City and the CalPERS 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, 2015, are summarized as follows:

|   | <u>Classic Tier 1</u>        | <u>Classic Tier 2</u>           | <u>PEPRA Tier 3</u>            |
|---|------------------------------|---------------------------------|--------------------------------|
| Hire date   | Prior to<br>October 18, 2010 | On or after<br>October 18, 2010 | On or after<br>January 1, 2013 |
| Benefit formula                                   | 2.5% @ 55                    | 2.0% @ 60                       | 2.0% @ 62                      |
| Benefit vesting schedule                          | 5 years service              | 5 years service                 | 5 years service                |
| Benefit payments                                  | monthly for life             | monthly for life                | monthly for life               |
| Retirement age                                    | 50 - 55                      | 50 - 63                         | 52 - 67                        |
| Monthly benefits, as a % of eligible compensation | 2.0 % to 2.5%                | 1.092% - 2.418%                 | 1.0% - 2.5%                    |
| Required employee contribution rates              | 8%                           | 7%                              | 6.25%                          |
| Required employer contribution rates              | 18.170%                      | 8.435%                          | 6.25%                          |

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 11 – PENSION PLANS (Continued)**

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

|                          | Classic<br>Tier 1 | Classic<br>Tier 2 | PEPRA<br>Tier 3 |
|--------------------------|-------------------|-------------------|-----------------|
| Contributions - employer | \$189,460         | \$64,162          | \$42,991        |

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

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

|                             | Proportionate Share<br>of Net Pension Liability |
|-----------------------------|---|
| Classic Tier 1              | \$1,086,857                                     |
| Classic Tier 2              | 15,376  |
| PEPRA Tier 3                | -   |
| Total Net Pension Liability | \$1,102,233                                     |

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

|                              | Tier 1   | Tier 2    |
|------------------------------|----------|-----------|
| Proportion - June 30, 2013   | 0.04276% | 0.00064%  |
| Proportion - June 30, 2014   | 0.04398% | 0.00062%  |
| Change - Increase (Decrease) | 0.00122% | -0.00002% |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For fiscal year ended June 30, 2015

**NOTE 11 – PENSION PLANS (Continued)**

For the year ended June 30, 2015, the City recognized pension expense of (\$40,717). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date   | \$296,613                         | -                                |
| Differences between actual and expected experience   | -                                 | -                                |
| Changes in assumptions   | -                                 | -                                |
| Change in employer's proportion and differences between<br>the employer's contributions and the employer's<br>proportionate share of contributions | -                                 | (\$303,523)                      |
| Net differences between projected and actual earnings<br>on plan investments   | -                                 | (26,656)                         |
| Total  | \$296,613                         | (\$330,179)                      |

\$296,613 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended<br>June 30 | Annual<br>Amortization |
|-----------------------|------------------------|
| 2016                  | (\$85,402)             |
| 2017                  | (85,402)               |
| 2018                  | (83,495)               |
| 2019                  | (75,880)               |
| 2020                  | -                      |
| Thereafter            | -                      |

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 11 – PENSION PLANS (Continued)**

**Actuarial Assumptions** – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

|                                  |                                  |
|----------------------------------|----------------------------------|
| Valuation Date                   | June 30, 2013                    |
| Measurement Date                 | June 30, 2014                    |
| Actuarial Cost Method            | Entry-Age Normal Cost Method     |
| Actuarial Assumptions:           |                                  |
| Discount Rate                    | 7.5%                             |
| Inflation                        | 2.75%                            |
| Payroll Growth                   | 3.0%                             |
| Projected Salary Increase        | 3.3% - 14.2% (1)                 |
| Investment Rate of Return        | 7.5% (2)                         |
|                                  | Derived using CalPERS Membership |
| Mortality                        | Data for all Funds (3)           |
|                                  | Contract COLA up to 2.75% until  |
|                                  | Purchasing Power applies, 2.75%  |
| Post Retirement Benefit Increase | thereafter                       |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

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

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS deemed this difference immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For fiscal year ended June 30, 2015

**NOTE 11 – PENSION PLANS (Continued)**

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

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

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

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

| Asset Class                   | New<br>Strategic<br>Allocation | Real Return<br>Years 1 - 10(a) | Real Return<br>Years 11+(b) |
|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| Global Equity                 | 47.0%                          | 5.25%                          | 5.71%                       |
| Global Fixed Income           | 19.0%                          | 0.99%                          | 2.43%                       |
| Inflation Sensitive           | 6.0%                           | 0.45%                          | 3.36%                       |
| Private Equity                | 12.0%                          | 6.83%                          | 6.95%                       |
| Real Estate                   | 11.0%                          | 4.50%                          | 5.13%                       |
| Infrastructure and Forestland | 3.0%                           | 4.50%                          | 5.09%                       |
| Liquidity                     | 2.0%                           | -0.55%                         | -1.05%                      |
| Total                         | <u>100%</u>                    |                                |                             |

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

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

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 11 – PENSION PLANS (Continued)**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –* The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                       | Classic<br>Tier 1 | Classic<br>Tier 2 |
|-----------------------|-------------------|-------------------|
| 1% Decrease           | 6.50%             | 6.50%             |
| Net Pension Liability | \$1,807,279       | \$27,394          |
| Current Discount Rate | 7.50%             | 7.50%             |
| Net Pension Liability | \$1,086,857       | \$15,376          |
| 1% Increase           | 8.50%             | 8.50%             |
| Net Pension Liability | \$488,976         | \$5,401           |

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

**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, 2015

**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:

| <u>Types of Coverage (Deductible)</u>  | <u>Coverage Limits</u> |
|--|------------------------|
| Liability (\$25,000)   | \$29,000,000           |
| Vehicle - Physical Damage (\$3,000 for police vehicles,<br>\$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, 2015**

**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  |          |
|--|----------|----------|
|  | 2015     | 2014     |
| Balance at beginning of year   | \$25,000 | \$25,000 |
| Liability for current fiscal year claims   |          |          |
| Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR) | 64,003   | 16,141   |
| Claims paid  | (22,151) | (16,141) |
| Balance at end of year   | \$66,852 | \$25,000 |

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**A. Construction and Other Commitments**

The City has the following outstanding construction commitments as of June 30, 2015 which are included in the balance of encumbrances in Note 14E:

|   |           |
|---|-----------|
| Street Repair and Resurfacing                       | \$23,350  |
| Cypress, Big Break and Rose Pavement Rehabilitation | 1,316,252 |
| Main Street Resurfacing                             | 803,371   |

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 has disbursed \$350,000 to date, and as of June 30, 2015 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, 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 be made over four quarters. The City estimated outstanding corrections totaled approximately \$134,877 as of June 30, 2014, which was been reported as an accrued liability in the Statement of Net Position, and included in assigned fund balance in the General Fund. The corrections were completed during fiscal year 2015 and the City does not expect any future liabilities related to the allocations.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For fiscal year ended June 30, 2015

**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, 2015 by fund were as follows:

|                                    |             |
|------------------------------------|-------------|
| Major Governmental Fund:           |             |
| General Fund                       | \$12,034    |
| Lighting and Landscaping Districts | 41,858      |
| Traffic Impact Fees                | 686,502     |
| Non-Major Governmental Funds       | 2,076,743   |
| Total Encumbrances                 | \$2,817,137 |

**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, 2015**

**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, 2015**

**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.

AB1484 required 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.

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.

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 below.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

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

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 of \$1,200,000 from Manuel's Five Star Restaurant, Inc., including the land on which the restaurant is located.

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 above; and will not seek payment from the Successor Agency for City administration of certain housing programs.

As a result of the settlement, the City and Successor Agency have reported the transactions as special items as follows:

|  | City          | Successor<br>Agency |
|--|---------------|---------------------|
| Loan Receivable Transferred to the City        | \$1,176,195   | (\$1,176,195)       |
| Cash Transferred from City to Successor Agency | (1,450,500)   | 1,450,500           |
| Land Transferred to the City                   | 636,487       | (636,487)           |
| <br>Net Transactions                           | <br>\$362,182 | <br>(\$362,182)     |

Cash and investments of the Successor Agency as of June 30, 2015 includes the following:

|  |             |
|--|-------------|
| Cash available for operations:                       |             |
| Cash available for operations                        | \$188,624   |
| Cash held for September 2, 2015 debt service payment | 1,675,574   |
| Cash and investments with fiscal agent               | 2,012,751   |
| Total Cash and Investments                           | \$3,876,949 |

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, 2015.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

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

**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 \$627,415 as of June 30, 2015.

*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.

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 15A. As discussed in Note 15A the settlement agreement was executed between the City and Department of Finance and the Contra Costa County Auditor-Controller allowed the City to acquire all rights and interest in the DDA and the associated loan receivable of \$1,200,000 from Manuel's Five Star Restaurant. The balance of the loan at the date of the transfer to the City was \$1,176,195.

The borrower had drawn down \$599,304 of the enhancement loan, which was the balance outstanding as of June 30, 2015.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

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

**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.

During fiscal year 2015, the Successor Agency sold one parcel with a net book value of \$591,245 to a developer.

**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,<br>curb & gutters, trees & signs) | 10-40 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, 2015

**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<br>June 30, 2014 | Additions        | Transfers          | Transfer to<br>the City | Balance<br>June 30, 2015 |
|--|--------------------------|------------------|--------------------|-------------------------|--------------------------|
| Capital assets not being depreciated:      |                          |                  |                    |                         |                          |
| Land                                       | \$4,331,395              |                  |                    | (\$636,487)             | \$3,694,908              |
| Construction in Progress                   | 576,411                  | \$679,953        | (\$1,256,364)      |                         |                          |
| Total capital assets not being depreciated | <u>4,907,806</u>         | <u>679,953</u>   | <u>(1,256,364)</u> | <u>(636,487)</u>        | <u>3,694,908</u>         |
| Capital assets being depreciated:          |                          |                  |                    |                         |                          |
| Buildings and improvements                 | 5,916,790                |                  |                    |                         | 5,916,790                |
| Machinery and equipment                    | 65,957                   |                  |                    |                         | 65,957                   |
| Roadways:                                  |                          |                  |                    |                         |                          |
| Pavement                                   | 11,337,476               |                  | 1,256,364          |                         | 12,593,840               |
| 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>18,564,972</u>        |                  | <u>1,256,364</u>   |                         | <u>19,821,336</u>        |
| Less accumulated depreciation for:         |                          |                  |                    |                         |                          |
| Buildings and improvements                 | (992,565)                | (213,680)        |                    |                         | (1,206,245)              |
| Machinery and equipment                    | (65,957)                 |                  |                    |                         | (65,957)                 |
| Roadways:                                  |                          |                  |                    |                         |                          |
| Pavement                                   | (800,342)                | (318,615)        |                    |                         | (1,118,957)              |
| Traffic Signals                            | (111,186)                | (16,034)         |                    |                         | (127,220)                |
| Street Trees                               | (313)                    | (625)            |                    |                         | (938)                    |
| Parks and Recreation                       | (181,674)                | (40,945)         |                    |                         | (222,619)                |
| Total accumulated depreciation             | <u>(2,152,037)</u>       | <u>(589,899)</u> |                    |                         | <u>(2,741,936)</u>       |
| Net capital assets being depreciated       | <u>16,412,935</u>        | <u>(589,899)</u> | <u>1,256,364</u>   |                         | <u>17,079,400</u>        |
| Capital assets, net                        | <u>\$21,320,741</u>      | <u>\$90,054</u>  |                    | <u>(\$636,487)</u>      | <u>\$20,774,308</u>      |

As discussed in Note 15A, pursuant to the terms of the settlement agreement, the Successor Agency transferred a land parcel with a book value of \$636,487 to the City.

Included in the remaining 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, 2015**

**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<br>Issue<br>Amount | Balance<br>June 30, 2014 | Additions          | Retirements        | Refunding            | Balance<br>June 30, 2015 | Current<br>Portion |
|--|-----------------------------|--------------------------|--------------------|--------------------|----------------------|--------------------------|--------------------|
| <b>2003 Tax Allocation Bonds</b><br>3.97-6.32%, due 9/01/2028            | \$8,500,000                 | \$6,425,000              |                    | (\$275,000)        | (\$6,150,000)        |                          |                    |
| <b>2008 Subordinate Tax Allocation Bonds</b><br>4.00-5.00%, due 9/1/2038 | 25,095,000                  | 24,435,000               |                    | (385,000)          |                      | \$24,050,000             | \$425,000          |
| <b>2015A Tax Allocation Bonds</b><br>3.375-5.00%, due 9/01/2028          | 2,595,000                   |                          | \$2,595,000        |                    |                      | 2,595,000                |                    |
| <b>2015B Tax Allocation Bonds</b><br>2.00-3.75%, due 9/01/2024           | 3,115,000                   |                          | 3,115,000          |                    |                      | 3,115,000                |                    |
| <b>Total</b>   |                             | <u>\$30,860,000</u>      | <u>\$5,710,000</u> | <u>(\$660,000)</u> | <u>(\$6,150,000)</u> | <u>\$29,760,000</u>      | <u>\$425,000</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 were subordinated to the 2003 Bonds. The 2008 Bonds are on parity with the 2015 Bonds discussed below. Principal is payable annually and the interest is payable semi-annually through 2039.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

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

**3. *Redevelopment Agency 2015 Tax Allocation Bonds***

On May 6, 2015, the Agency issued \$2,595,000 in 2015 Tax Allocation Bonds, Series A, and \$3,115,000 in 2015 Tax Allocation Bonds, Series B. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, were used to refund and defease the outstanding 2003 Tax Allocation Bonds. The refunding reduces the total debt service payments over 14 years by \$1,609,455 and results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$862,272. The 2003 Bonds were called on June 19, 2015.

The 2015A Bonds are secured by the Successor Agency's property tax revenues in the Redevelopment Property Tax Trust Fund. Annual principal payments on the 2015A Bonds are due September 2, and semi-annual interest payments are due March 1 and September 1, through 2028.

**4. *Pledge of Tax Revenues***

As discussed above, the Agency had 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 had 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. With the issuance of the 2015 Bonds, the tax increment revenue is pledged on parity with the 2008 and 2015 Bonds. The pledge of all future tax increment revenues ends upon repayment of the \$49,702,051 remaining debt service on the 2008 and 2015 Bonds above, which is scheduled to occur in 2040.

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 2015 calculated by the County Auditor-Controller was \$3,253,881 and the total received by the Successor Agency for fiscal year 2015 debt service was \$2,525,004, which represented of 114% of the \$2,215,802 of debt service.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

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

**5. Debt Service Requirements**

Annual debt service requirements for the Bonds are shown below:

| For the Year<br>Ending June 30 | Principal    | Interest     |
|--------------------------------|--------------|--------------|
| 2016                           | \$425,000    | \$1,310,054  |
| 2017                           | 465,000      | 1,337,150    |
| 2018                           | 510,000      | 1,317,650    |
| 2019                           | 800,000      | 1,293,622    |
| 2020                           | 1,040,000    | 1,261,807    |
| 2021 - 2025                    | 5,700,000    | 5,686,635    |
| 2026 - 2030                    | 6,625,000    | 4,312,011    |
| 2031 - 2035                    | 7,115,000    | 2,693,875    |
| 2036 - 2040                    | 7,080,000    | 729,247      |
|                                | \$29,760,000 | \$19,942,051 |

**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 were also subject to further examination by the State of California. 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. The results of that review were issued in July 2015 and although the review did identify ineligible transfers of assets from the former Redevelopment Agency to the City, the report reflected the current year and prior year transfers discussed in Note 15A and made no further demands for the return of assets to the Successor Agency.

**CITY OF OAKLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For fiscal year ended June 30, 2015**

**NOTE 16 – SUBSEQUENT EVENTS**

**A. *Municipal Police Department***

In April 2015, the City Council voted to notify Contra Costa County of the City's intent to form its own Municipal Police Department and elect to not extend its contract with the County to provide such services effective June 30, 2016. Subsequent to that notification, the City and the County agreed to a transition date of May 6, 2016. In addition, effective August 12, 2015 the City established a Safety Plan, a cost-sharing multiple employer defined benefit pension plan, to be administered by CalPERS that provides benefits for safety employees hired after January 1, 2013 using the 2.7% @ 57 benefit formula.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

Miscellaneous Plan, a Cost Sharing-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Miscellaneous Plan - Classic Tier 1**

| Measurement Date  | <u>6/30/2014</u> |
|---|------------------|
| Plan's Proportion of the Net Pension Liability (Asset)  | 0.01747%         |
| Plan's Proportionate Share of the Net Pension Liability/(Asset)   | \$1,086,857      |
| Plan's Covered-Employee Payroll (A)   | \$1,102,488      |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 98.58%           |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability  | 79.99%           |

**Notes to Schedule:**

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**REQUIRED SUPPLEMENTARY INFORMATION**

Miscellaneous Plan, a Cost Sharing-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Miscellaneous Plan - Classic Tier 2**

| Measurement Date  | <u>6/30/2014</u> |
|---|------------------|
| Plan's Proportion of the Net Pension Liability (Asset)  | 0.00025%         |
| Plan's Proportionate Share of the Net Pension Liability/(Asset)   | \$15,376         |
| Plan's Covered-Employee Payroll (A)   | \$562,462        |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 2.73%            |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability  | 83.03%           |

**Notes to Schedule:**

(A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**REQUIRED SUPPLEMENTARY INFORMATION**

Miscellaneous Plan, a Cost Sharing-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2015  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

|   | <u>2015</u>           |
|---|-----------------------|
|   | <u>Classic Tier 1</u> |
| Actuarially determined contribution                                   | \$189,460             |
| Contributions in relation to the actuarially determined contributions | 189,460               |
| Contribution deficiency (excess)                                      | <u>\$0</u>            |
| Covered-employee payroll  | <u>\$1,046,321</u>    |
| Contributions as a percentage of covered-employee payroll             | 18.11%                |
|   | <u>Classic Tier 2</u> |
| Actuarially determined contribution                                   | \$64,162              |
| Contributions in relation to the actuarially determined contributions | 64,162                |
| Contribution deficiency (excess)                                      | <u>\$0</u>            |
| Covered-employee payroll  | <u>\$760,654</u>      |
| Contributions as a percentage of covered-employee payroll             | 8.44%                 |
|   | <u>PEPRA Tier 3</u>   |
| Actuarially determined contribution                                   | \$42,991              |
| Contributions in relation to the actuarially determined contributions | 42,991                |
| Contribution deficiency (excess)                                      | <u>\$0</u>            |
| Covered-employee payroll  | <u>\$687,864</u>      |
| Contributions as a percentage of covered-employee payroll             | 6.25%                 |

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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**SUPPLEMENTAL INFORMATION**

**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, 2015

|                                   | <u>TRAFFIC IMPACT FEES</u> |                    |   |
|-----------------------------------|----------------------------|--------------------|---|
|                                   | <u>Budget</u>              | <u>Actual</u>      | <u>Variance<br/>Positive<br/>(Negative)</u> |
| REVENUES                          |                            |                    |   |
| Developer fees                    | \$1,096,125                | \$1,320,389        | \$224,264                                   |
| Use of money and property         | 4,000                      | 654                | (3,346)                                     |
| Total Revenues                    | <u>1,100,125</u>           | <u>1,321,043</u>   | <u>220,918</u>                              |
| EXPENDITURES                      |                            |                    |   |
| Current:                          |                            |                    |   |
| Public Works                      | 44,612                     | 7,210              | 37,402                                      |
| Capital outlay                    | 5,410,346                  | 2,643,953          | 2,766,393                                   |
| Total Expenditures                | <u>5,454,958</u>           | <u>2,651,163</u>   | <u>2,803,795</u>                            |
| NET CHANGE IN FUND BALANCES       | <u>(\$4,354,833)</u>       | <u>(1,330,120)</u> | <u>\$3,024,713</u>                          |
| Fund balance at beginning of year |                            | <u>5,039,745</u>   |   |
| Fund balance at end of year       |                            | <u>\$3,709,625</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.

**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.

**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.

**STREET MAINTENANCE RESERVE**

This fund was established to account for the accumulation of funds for the long-term maintenance of the City's streets. The amounts transferred into the reserve will be used to augment the City's Gas Tax, Measure J, and other street improvement revenues in completing street maintenance and improvement projects. The reserve shall be considered fully funded when the balance and the combination of anticipated special revenues eligible for street maintenance is sufficient to pay for the next 3 years' anticipated maintenance, which is anticipated to occur by June 30, 2018.

**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, 2015

|   | SPECIAL REVENUE FUNDS |                    |                       |                      |
|---|-----------------------|--------------------|-----------------------|----------------------|
|   | Gas Tax               | NPDES              | Developer<br>Deposits | Youth<br>Development |
| <b>ASSETS</b>   |                       |                    |                       |                      |
| Cash and investments available for operations                                 | \$1,056,900           | \$1,319,569        | \$1,149,902           | \$71,329             |
| Cash with fiscal agent  |                       |                    | 105,229               |                      |
| Accounts receivable, net  |                       |                    |                       |                      |
| Interest receivable   | 542                   | 709                |                       | 37                   |
| Prepays and deposits  |                       |                    |                       |                      |
| Advances to other funds   |                       |                    |                       |                      |
|   | <u>\$1,057,442</u>    | <u>\$1,320,278</u> | <u>\$1,255,131</u>    | <u>\$71,366</u>      |
| <b>LIABILITIES</b>  |                       |                    |                       |                      |
| Accounts payable  | \$57,396              | \$36,823           | \$37,814              |                      |
| Accrued liabilities   |                       |                    |                       |                      |
| Deposits payable  |                       |                    | 1,217,317             |                      |
| Unearned revenue  |                       |                    |                       | \$71,366             |
| Advances from other funds   |                       |                    |                       |                      |
|   | <u>57,396</u>         | <u>36,823</u>      | <u>1,255,131</u>      | <u>71,366</u>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                       |                    |                       |                      |
| Unavailable revenue - interest on advances to other funds                     |                       |                    |                       |                      |
|   | <u></u>               | <u></u>            | <u></u>               | <u></u>              |
| <b>FUND BALANCES</b>  |                       |                    |                       |                      |
| Nonspendable  |                       |                    |                       |                      |
| Restricted  | 1,000,046             | 1,283,455          |                       |                      |
| Assigned  |                       |                    |                       |                      |
| Unassigned  |                       |                    |                       |                      |
|   | <u>1,000,046</u>      | <u>1,283,455</u>   | <u></u>               | <u></u>              |
| <b>Total Fund Balance</b>   | <u>1,000,046</u>      | <u>1,283,455</u>   | <u></u>               | <u></u>              |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b> | <u>\$1,057,442</u>    | <u>\$1,320,278</u> | <u>\$1,255,131</u>    | <u>\$71,366</u>      |

| SPECIAL REVENUE FUNDS                  |                     |                    | CAPITAL PROJECTS FUNDS |                        |                             |                                    |
|--|---------------------|--------------------|------------------------|------------------------|-----------------------------|------------------------------------|
| Community<br>Facilities<br>District #1 | Oakley<br>Welcoming | Ag<br>Conservation | Measure J              | Park<br>Impact<br>Fees | Childcare<br>Impact<br>Fees | Public<br>Facilities Impact<br>Fee |
| \$1,462,406                            | \$73,521            | \$19,233           | \$664,126              | \$75,514               | \$584,705                   | \$490                              |
| 829                                    | 34<br>240           | 8                  | 261                    | 33                     | 325                         | (114)                              |
|  |                     |                    |                        | 475,593                |                             | 152,228                            |
| <u>\$1,463,235</u>                     | <u>\$73,795</u>     | <u>\$19,241</u>    | <u>\$664,387</u>       | <u>\$551,140</u>       | <u>\$585,030</u>            | <u>\$152,604</u>                   |
| \$10,260                               | \$328<br>1,130      |                    | \$55,672               |                        |                             |                                    |
|  | 72,337              |                    |                        |                        |                             | \$246,000                          |
| <u>10,260</u>                          | <u>73,795</u>       |                    | <u>55,672</u>          |                        |                             | <u>246,000</u>                     |
|  |                     |                    |                        | \$72,850               |                             | 23,318                             |
|  |                     |                    |                        | 72,850                 |                             | 23,318                             |
| 1,452,975                              | 240                 | \$19,241           | 608,715                | 478,290                | \$585,030                   |                                    |
|  | (240)               |                    |                        |                        |                             | (116,714)                          |
| <u>1,452,975</u>                       |                     | <u>19,241</u>      | <u>608,715</u>         | <u>478,290</u>         | <u>585,030</u>              | <u>(116,714)</u>                   |
| <u>\$1,463,235</u>                     | <u>\$73,795</u>     | <u>\$19,241</u>    | <u>\$664,387</u>       | <u>\$551,140</u>       | <u>\$585,030</u>            | <u>\$152,604</u>                   |

(Continued)

CITY OF OAKLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015

|   | <u>CAPITAL PROJECTS FUNDS</u> |   |                                 |  |
|---|-------------------------------|---|---------------------------------|--|
|   | <u>Main<br/>Street</u>        | <u>General<br/>Capital<br/>Projects</u> | <u>Fire<br/>Impact<br/>Fees</u> | <u>Cypress Grove<br/>Capital<br/>Project</u> |
| <b>ASSETS</b>   |                               |   |                                 |  |
| Cash and investments available for operations             | \$298,855                     | \$1,342,570                             | \$80,981                        | \$21   |
| Cash with fiscal agent                                    |                               |   |                                 | 73,704                                       |
| Accounts receivable, net                                  |                               |   |                                 |  |
| Interest receivable                                       |                               | 477                                     | 45                              | (21)   |
| Prepays and deposits                                      |                               |   |                                 |  |
| Advances to other funds                                   |                               |   |                                 |  |
| <b>Total Assets</b>                                       | <u>\$298,855</u>              | <u>\$1,343,047</u>                      | <u>\$81,026</u>                 | <u>\$73,704</u>                              |
| <b>LIABILITIES</b>  |                               |   |                                 |  |
| Accounts payable  |                               | \$252,412                               |                                 |  |
| Accrued liabilities                                       |                               |   |                                 |  |
| Deposits payable  |                               |   |                                 |  |
| Unearned revenue  |                               | 57,566                                  |                                 |  |
| Advances from other funds                                 |                               |   |                                 |  |
| <b>Total Liabilities</b>                                  |                               | <u>309,978</u>                          |                                 |  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |                               |   |                                 |  |
| Unavailable revenue - interest on advances to other funds |                               |   |                                 |  |
| <b>Total Deferred Inflows of Resources</b>                |                               |   |                                 |  |
| <b>FUND BALANCES</b>                                      |                               |   |                                 |  |
| Nonspendable  |                               |   |                                 |  |
| Restricted  |                               | 577,427                                 | \$81,026                        | \$73,704                                     |
| Assigned  | \$298,855                     | 455,642                                 |                                 |  |
| Unassigned  |                               |   |                                 |  |
| <b>Total Fund Balance</b>                                 | <u>298,855</u>                | <u>1,033,069</u>                        | <u>81,026</u>                   | <u>73,704</u>                                |
| <b>Total Liabilities, Deferred Inflows of Resources</b>   | <u>\$298,855</u>              | <u>\$1,343,047</u>                      | <u>\$81,026</u>                 | <u>\$73,704</u>                              |

| <u>CAPITAL<br/>PROJECTS<br/>FUNDS</u> | <u>DEBT SERVICE<br/>FUND</u>             | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|---------------------------------------|--|--|
| Street<br>Maintenance<br>Reserve      | 2006<br>Certificates of<br>Participation |  |
| \$75,000                              | \$5,321                                  | \$8,280,443  |
|                                       | 574,765                                  | 648,469  |
|                                       | 119                                      | 105,229  |
|                                       |  | 3,284  |
|                                       |  | 240  |
|                                       |  | 627,821  |
| <u>\$75,000</u>                       | <u>\$580,205</u>                         | <u>\$9,665,486</u>                                   |
|                                       |  | \$450,705  |
|                                       |  | 1,130  |
|                                       |  | 1,217,317  |
|                                       |  | 201,269  |
|                                       |  | 246,000  |
|                                       |  | <u>2,116,421</u>                                     |
|                                       |  | 96,168   |
|                                       |  | 96,168   |
|                                       |  | 240  |
| \$75,000                              | \$580,205                                | 6,740,114  |
|                                       |  | 829,497  |
|                                       |  | (116,954)  |
| <u>75,000</u>                         | <u>580,205</u>                           | <u>7,452,897</u>                                     |
| <u>\$75,000</u>                       | <u>\$580,205</u>                         | <u>\$9,665,486</u>                                   |

CITY OF OAKLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

|  | SPECIAL REVENUE FUNDS |             |                       |                      |
|--|-----------------------|-------------|-----------------------|----------------------|
|  | Gas Tax               | NPDES       | Developer<br>Deposits | Youth<br>Development |
| <b>REVENUES</b>  |                       |             |                       |                      |
| Property taxes   |                       | \$498,378   |                       |                      |
| Intergovernmental:   |                       |             |                       |                      |
| Other  | \$1,080,339           |             |                       |                      |
| Developer fees   |                       |             | \$458,870             |                      |
| Special assessments  |                       |             |                       |                      |
| Use of money and property                                    | 1,818                 | 2,205       |                       | \$147                |
| Miscellaneous  |                       | 180         |                       | 19,480               |
|  | 1,082,157             | 500,763     | 458,870               | 19,627               |
| <b>Total Revenues</b>  |                       |             |                       |                      |
| <b>EXPENDITURES</b>  |                       |             |                       |                      |
| Current:   |                       |             |                       |                      |
| Community Development  |                       |             | 458,870               |                      |
| Public Works   | 470,169               | 426,238     |                       |                      |
| Recreation   |                       |             |                       | 19,627               |
| Capital outlay   | 341,881               | 25,000      |                       |                      |
| Debt Service:  |                       |             |                       |                      |
| Principal  |                       |             |                       |                      |
| Interest and fiscal charges                                  |                       |             |                       |                      |
|  | 812,050               | 451,238     | 458,870               | 19,627               |
| <b>Total Expenditures</b>                                    |                       |             |                       |                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 270,107               | 49,525      |                       |                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |             |                       |                      |
| Transfers in   |                       |             |                       |                      |
| Transfers (out)  | (70,946)              |             |                       |                      |
| <b>Total Other Financing Sources (Uses)</b>                  | (70,946)              |             |                       |                      |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 199,161               | 49,525      |                       |                      |
| Fund balance (deficit) at beginning of year                  | 800,885               | 1,233,930   |                       |                      |
| Fund balances (deficit) at end of year                       | \$1,000,046           | \$1,283,455 |                       |                      |

| SPECIAL REVENUE FUNDS                  |                     |                    | CAPITAL PROJECTS FUNDS |                        |                             |                                    |
|--|---------------------|--------------------|------------------------|------------------------|-----------------------------|------------------------------------|
| Community<br>Facilities<br>District #1 | Oakley<br>Welcoming | Ag<br>Conservation | Measure J              | Park<br>Impact<br>Fees | Childcare<br>Impact<br>Fees | Public<br>Facilities Impact<br>Fee |
|  |                     |                    | \$508,272              |                        |                             | \$480,397                          |
| \$294,261<br>3,054                     | \$150<br>69,293     | \$16               | 1,203                  | \$86                   | \$1,228                     | (560)                              |
| 297,315                                | 69,443              | 16                 | 509,475                | 86                     | 1,228                       | 479,837                            |
| 144,498                                |                     |                    | 91,980                 | 2,177                  |                             | 15,537                             |
| 49,615                                 | 69,443              |                    | 724,008                |                        | 8,010                       |                                    |
|  |                     |                    |                        |                        |                             | 386                                |
| 194,113                                | 69,443              |                    | 815,988                | 2,177                  | 8,010                       | 15,923                             |
| 103,202                                |                     | 16                 | (306,513)              | (2,091)                | (6,782)                     | 463,914                            |
| (150,000)                              |                     | 17,500             |                        | (86)                   |                             | (571,635)                          |
| (150,000)                              |                     | 17,500             |                        | (86)                   |                             | (571,635)                          |
| (46,798)                               |                     | 17,516             | (306,513)              | (2,177)                | (6,782)                     | (107,721)                          |
| 1,499,773                              |                     | 1,725              | 915,228                | 480,467                | 591,812                     | (8,993)                            |
| \$1,452,975                            |                     | \$19,241           | \$608,715              | \$478,290              | \$585,030                   | (\$116,714)                        |

(Continued)

CITY OF OAKLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

|  | CAPITAL PROJECTS FUNDS |                                |                        |                                     |
|--|------------------------|--------------------------------|------------------------|-------------------------------------|
|  | Main<br>Street         | General<br>Capital<br>Projects | Fire<br>Impact<br>Fees | Cypress Grove<br>Capital<br>Project |
| <b>REVENUES</b>  |                        |                                |                        |                                     |
| Property taxes   |                        |                                |                        |                                     |
| Intergovernmental:   |                        |                                |                        |                                     |
| Other  |                        | \$405,841                      |                        |                                     |
| Developer fees   |                        |                                |                        |                                     |
| Special assessments  |                        |                                |                        |                                     |
| Use of money and property                                    |                        | 908                            | \$168                  |                                     |
| Miscellaneous  |                        |                                |                        | \$73,704                            |
|  |                        |                                |                        |                                     |
| Total Revenues   |                        | 406,749                        | 168                    | 73,704                              |
| <b>EXPENDITURES</b>  |                        |                                |                        |                                     |
| Current:   |                        |                                |                        |                                     |
| Community Development  |                        |                                | 883                    |                                     |
| Public Works   | \$3,145                |                                |                        |                                     |
| Recreation   |                        |                                |                        |                                     |
| Capital outlay   | 466,457                | 1,021,209                      |                        |                                     |
| Debt Service:  |                        |                                |                        |                                     |
| Principal  |                        |                                |                        |                                     |
| Interest and fiscal charges                                  |                        |                                |                        |                                     |
|  |                        |                                |                        |                                     |
| Total Expenditures   | 469,602                | 1,021,209                      | 883                    |                                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |                        |                                |                        |                                     |
|  | (469,602)              | (614,460)                      | (715)                  | 73,704                              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                        |                                |                        |                                     |
| Transfers in   | 100,000                | 1,240,000                      |                        |                                     |
| Transfers (out)  |                        | (1,766)                        |                        |                                     |
|  |                        |                                |                        |                                     |
| Total Other Financing Sources (Uses)                         | 100,000                | 1,238,234                      |                        |                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                           |                        |                                |                        |                                     |
|  | (369,602)              | 623,774                        | (715)                  | 73,704                              |
| Fund balance (deficit) at beginning of year                  | 668,457                | 409,295                        | 81,741                 |                                     |
|  |                        |                                |                        |                                     |
| Fund balances (deficit) at end of year                       | \$298,855              | \$1,033,069                    | \$81,026               | \$73,704                            |

| <u>CAPITAL<br/>PROJECTS<br/>FUNDS</u> | <u>DEBT SERVICE<br/>FUND</u>             |  |
|---------------------------------------|--|--|
| Street<br>Maintenance<br>Reserve      | 2006<br>Certificates of<br>Participation | Total<br>Nonmajor<br>Governmental<br>Funds |
|                                       |  | \$498,378                                  |
|                                       |  | 1,994,452                                  |
|                                       |  | 939,267                                    |
|                                       |  | 294,261                                    |
|                                       | \$570                                    | 10,993                                     |
|                                       |  | <u>162,657</u>                             |
|                                       | <u>570</u>                               | <u>3,900,008</u>                           |
|                                       |  | 475,290                                    |
|                                       |  | 1,138,207                                  |
|                                       |  | 89,070                                     |
|                                       |  | 2,636,180                                  |
|                                       | 265,000                                  | 265,000                                    |
|                                       | <u>301,778</u>                           | <u>302,164</u>                             |
|                                       | <u>566,778</u>                           | <u>4,905,911</u>                           |
|                                       | <u>(566,208)</u>                         | <u>(1,005,903)</u>                         |
| <u>\$75,000</u>                       | <u>571,635</u>                           | <u>2,004,135</u><br><u>(794,433)</u>       |
| <u>75,000</u>                         | <u>571,635</u>                           | <u>1,209,702</u>                           |
| <u>75,000</u>                         | <u>5,427</u>                             | <u>203,799</u>                             |
|                                       | <u>574,778</u>                           | <u>7,249,098</u>                           |
| <u>\$75,000</u>                       | <u>\$580,205</u>                         | <u>\$7,452,897</u>                         |

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, 2015

|  | SPECIAL REVENUE FUNDS |                    |                                    |                    |                    |                                    |
|--|-----------------------|--------------------|------------------------------------|--------------------|--------------------|------------------------------------|
|  | GAS TAX               |                    |                                    | N.P.D.E.S.         |                    |                                    |
|  | Budget                | Actual             | Variance<br>Positive<br>(Negative) | Budget             | Actual             | Variance<br>Positive<br>(Negative) |
| REVENUES   |                       |                    |                                    |                    |                    |                                    |
| Property taxes                                       |                       |                    |                                    | \$460,000          | \$498,378          | \$38,378                           |
| Intergovernmental:                                   |                       |                    |                                    |                    |                    |                                    |
| Other  | \$1,195,556           | \$1,080,339        | (\$115,217)                        |                    |                    |                                    |
| Developer fees                                       |                       |                    |                                    |                    |                    |                                    |
| Special assessments                                  |                       |                    |                                    |                    |                    |                                    |
| Use of money and property                            | 500                   | 1,818              | 1,318                              | 1,000              | 2,205              | 1,205                              |
| Miscellaneous  |                       |                    |                                    |                    | 180                | 180                                |
| <b>Total Revenues</b>                                | <u>1,196,056</u>      | <u>1,082,157</u>   | <u>(113,899)</u>                   | <u>461,000</u>     | <u>500,763</u>     | <u>39,763</u>                      |
| EXPENDITURES   |                       |                    |                                    |                    |                    |                                    |
| Current:   |                       |                    |                                    |                    |                    |                                    |
| Community Development                                |                       |                    |                                    |                    |                    |                                    |
| Public Works   | 539,159               | 470,169            | 68,990                             | 597,570            | 426,238            | 171,332                            |
| Recreation   |                       |                    |                                    |                    |                    |                                    |
| Capital Outlay                                       | 1,087,717             | 341,881            | 745,836                            | 55,000             | 25,000             | 30,000                             |
| Debt Service:  |                       |                    |                                    |                    |                    |                                    |
| Principal  |                       |                    |                                    |                    |                    |                                    |
| Interest and fiscal charges                          |                       |                    |                                    |                    |                    |                                    |
| <b>Total Expenditures</b>                            | <u>1,626,876</u>      | <u>812,050</u>     | <u>814,826</u>                     | <u>652,570</u>     | <u>451,238</u>     | <u>201,332</u>                     |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(430,820)</u>      | <u>270,107</u>     | <u>700,927</u>                     | <u>(191,570)</u>   | <u>49,525</u>      | <u>241,095</u>                     |
| OTHER FINANCING SOURCES (USES)                       |                       |                    |                                    |                    |                    |                                    |
| Transfers in   |                       |                    |                                    |                    |                    |                                    |
| Transfers (out)                                      | <u>(158,214)</u>      | <u>(70,946)</u>    | <u>87,268</u>                      |                    |                    |                                    |
| <b>Total Other Financing Sources (Uses)</b>          | <u>(158,214)</u>      | <u>(70,946)</u>    | <u>87,268</u>                      |                    |                    |                                    |
| NET CHANGE IN FUND BALANCES                          | <u>(\$589,034)</u>    | <u>199,161</u>     | <u>\$788,195</u>                   | <u>(\$191,570)</u> | <u>49,525</u>      | <u>\$241,095</u>                   |
| Fund balances (deficit) at beginning of year         |                       | <u>800,885</u>     |                                    |                    | <u>1,233,930</u>   |                                    |
| Fund balances (deficit) at end of year               |                       | <u>\$1,000,046</u> |                                    |                    | <u>\$1,283,455</u> |                                    |

SPECIAL REVENUE FUNDS

| DEVELOPER DEPOSITS |           |                                    | YOUTH DEVELOPMENT |        |                                    | COMMUNITY FACILITIES DISTRICT #1 |             |                                    |
|--------------------|-----------|------------------------------------|-------------------|--------|------------------------------------|----------------------------------|-------------|------------------------------------|
| Budget             | Actual    | Variance<br>Positive<br>(Negative) | Budget            | Actual | Variance<br>Positive<br>(Negative) | Budget                           | Actual      | Variance<br>Positive<br>(Negative) |
| \$458,873          | \$458,870 | (\$3)                              |                   |        |                                    | \$288,000                        | \$294,261   | \$6,261                            |
|                    |           |                                    | \$50              | \$147  | \$97                               | 1,000                            | 3,054       | 2,054                              |
|                    |           |                                    | 20,500            | 19,480 | (1,020)                            |                                  |             |                                    |
| 458,873            | 458,870   | (3)                                | 20,550            | 19,627 | (923)                              | 289,000                          | 297,315     | 8,315                              |
| 458,873            | 458,870   | 3                                  |                   |        |                                    | 267,350                          | 144,498     | 122,852                            |
|                    |           |                                    | 20,550            | 19,627 | 923                                | 400,000                          | 49,615      | 350,385                            |
| 458,873            | 458,870   | 3                                  | 20,550            | 19,627 | 923                                | 667,350                          | 194,113     | 473,237                            |
|                    |           |                                    |                   |        |                                    | (378,350)                        | 103,202     | 481,552                            |
|                    |           |                                    |                   |        |                                    | (150,000)                        | (150,000)   |                                    |
|                    |           |                                    |                   |        |                                    | (150,000)                        | (150,000)   |                                    |
|                    |           |                                    |                   |        |                                    | (\$528,350)                      | (46,798)    | \$481,552                          |
|                    |           |                                    |                   |        |                                    |                                  | 1,499,773   |                                    |
|                    |           |                                    |                   |        |                                    |                                  | \$1,452,975 |                                    |

(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, 2015

|  | SPECIAL REVENUE FUNDS |               |                                    |                 |                 |                                    |
|--|-----------------------|---------------|------------------------------------|-----------------|-----------------|------------------------------------|
|  | OAKLEY WELCOMING      |               |                                    | AG CONSERVATION |                 |                                    |
|  | Budget                | Actual        | Variance<br>Positive<br>(Negative) | Budget          | Actual          | Variance<br>Positive<br>(Negative) |
| <b>REVENUES</b>  |                       |               |                                    |                 |                 |                                    |
| Property taxes   |                       |               |                                    |                 |                 |                                    |
| Intergovernmental:   |                       |               |                                    |                 |                 |                                    |
| Other  |                       |               |                                    |                 |                 |                                    |
| Developer fees   |                       |               |                                    |                 |                 |                                    |
| Special assessments  |                       |               |                                    |                 |                 |                                    |
| Use of money and property                                    |                       | \$150         | \$150                              |                 | \$16            | \$16                               |
| Miscellaneous  | \$79,550              | 69,293        | (10,257)                           |                 |                 |                                    |
| <b>Total Revenues</b>  | <u>79,550</u>         | <u>69,443</u> | <u>(10,107)</u>                    |                 | <u>16</u>       | <u>16</u>                          |
| <b>EXPENDITURES</b>  |                       |               |                                    |                 |                 |                                    |
| Current:   |                       |               |                                    |                 |                 |                                    |
| Community Development  |                       |               |                                    |                 |                 |                                    |
| Public Works   |                       |               |                                    | \$17,500        |                 | 17,500                             |
| Recreation   | 79,550                | 69,443        | 10,107                             |                 |                 |                                    |
| Capital Outlay   |                       |               |                                    |                 |                 |                                    |
| Debt Service:  |                       |               |                                    |                 |                 |                                    |
| Principal  |                       |               |                                    |                 |                 |                                    |
| Interest and fiscal charges                                  |                       |               |                                    |                 |                 |                                    |
| <b>Total Expenditures</b>                                    | <u>79,550</u>         | <u>69,443</u> | <u>10,107</u>                      | <u>17,500</u>   |                 | <u>17,500</u>                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |                       |               |                                    | <u>(17,500)</u> | <u>16</u>       | <u>17,516</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |               |                                    |                 |                 |                                    |
| Transfers in   |                       |               |                                    | 17,500          | 17,500          |                                    |
| Transfers (out)  |                       |               |                                    |                 |                 |                                    |
| <b>Total Other Financing Sources (Uses)</b>                  |                       |               |                                    | <u>17,500</u>   | <u>17,500</u>   |                                    |
| <b>NET CHANGE IN FUND BALANCES</b>                           |                       |               |                                    |                 | <u>17,516</u>   | <u>\$17,516</u>                    |
| Fund balances (deficit) at beginning of year                 |                       |               |                                    |                 | 1,725           |                                    |
| Fund balances (deficit) at end of year                       |                       |               |                                    |                 | <u>\$19,241</u> |                                    |

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) |
| \$512,433          | \$508,272        | (\$4,161)                    |                  |                  |                              |                       |                  |                              |
| 1,000              | 1,203            | 203                          | \$86             | \$86             |                              |                       | \$1,228          | \$1,228                      |
| 513,433            | 509,475          | (3,958)                      | 86               | 86               |                              |                       | 1,228            | 1,228                        |
|                    |                  |                              |                  |                  |                              | \$575,000             |                  | 575,000                      |
| 89,257             | 91,980           | (2,723)                      | 2,177            | 2,177            |                              |                       |                  |                              |
| 1,152,329          | 724,008          | 428,321                      | 19               |                  | \$19                         | 16,811                | 8,010            | 8,801                        |
| 1,241,586          | 815,988          | 425,598                      | 2,196            | 2,177            | 19                           | 591,811               | 8,010            | 583,801                      |
| (728,153)          | (306,513)        | 421,640                      | (2,110)          | (2,091)          | 19                           | (591,811)             | (6,782)          | 585,029                      |
|                    |                  |                              | (86)             | (86)             |                              |                       |                  |                              |
|                    |                  |                              | (86)             | (86)             |                              |                       |                  |                              |
| <u>(\$728,153)</u> | <u>(306,513)</u> | <u>\$421,640</u>             | <u>(\$2,196)</u> | <u>(2,177)</u>   | <u>\$19</u>                  | <u>(\$591,811)</u>    | <u>(6,782)</u>   | <u>\$585,029</u>             |
|                    | 915,228          |                              |                  | 480,467          |                              |                       | 591,812          |                              |
|                    | <u>\$608,715</u> |                              |                  | <u>\$478,290</u> |                              |                       | <u>\$585,030</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, 2015

|  | CAPITAL PROJECTS FUNDS       |                    |                                    |                    |                  |                                    |
|--|------------------------------|--------------------|------------------------------------|--------------------|------------------|------------------------------------|
|  | PUBLIC FACILITIES IMPACT FEE |                    |                                    | MAIN STREET        |                  |                                    |
|  | Budget                       | Actual             | Variance<br>Positive<br>(Negative) | Budget             | Actual           | Variance<br>Positive<br>(Negative) |
| <b>REVENUES</b>  |                              |                    |                                    |                    |                  |                                    |
| Property taxes   |                              |                    |                                    |                    |                  |                                    |
| Intergovernmental:   |                              |                    |                                    |                    |                  |                                    |
| Other  |                              |                    |                                    |                    |                  |                                    |
| Developer fees   | \$307,799                    | \$480,397          | \$172,598                          |                    |                  |                                    |
| Special assessments  |                              |                    |                                    |                    |                  |                                    |
| Use of money and property                                    | (100)                        | (560)              | (460)                              |                    |                  |                                    |
| Miscellaneous  |                              |                    |                                    |                    |                  |                                    |
| <b>Total Revenues</b>  | <u>307,699</u>               | <u>479,837</u>     | <u>172,138</u>                     |                    |                  |                                    |
| <b>EXPENDITURES</b>  |                              |                    |                                    |                    |                  |                                    |
| Current:   |                              |                    |                                    |                    |                  |                                    |
| Community Development  | 16,412                       | 15,537             | 875                                |                    |                  |                                    |
| Public Works   |                              |                    |                                    | \$2,000            | \$3,145          | (\$1,145)                          |
| Recreation   |                              |                    |                                    |                    |                  |                                    |
| Capital Outlay   |                              |                    |                                    | 766,457            | 466,457          | 300,000                            |
| Debt Service:  |                              |                    |                                    |                    |                  |                                    |
| Principal  |                              |                    |                                    |                    |                  |                                    |
| Interest and fiscal charges                                  | 387                          | 386                | 1                                  |                    |                  |                                    |
| <b>Total Expenditures</b>                                    | <u>16,799</u>                | <u>15,923</u>      | <u>876</u>                         | <u>768,457</u>     | <u>469,602</u>   | <u>298,855</u>                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>290,900</u>               | <u>463,914</u>     | <u>173,014</u>                     | <u>(768,457)</u>   | <u>(469,602)</u> | <u>298,855</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                              |                    |                                    |                    |                  |                                    |
| Transfers in   |                              |                    |                                    | 100,000            | 100,000          |                                    |
| Transfers (out)  | (571,635)                    | (571,635)          |                                    |                    |                  |                                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>(571,635)</u>             | <u>(571,635)</u>   |                                    | <u>100,000</u>     | <u>100,000</u>   |                                    |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <u>(\$280,735)</u>           | <u>(107,721)</u>   | <u>\$173,014</u>                   | <u>(\$668,457)</u> | <u>(369,602)</u> | <u>\$298,855</u>                   |
| Fund balances (deficit) at beginning of year                 |                              | (8,993)            |                                    |                    | 668,457          |                                    |
| Fund balances (deficit) at end of year                       |                              | <u>(\$116,714)</u> |                                    |                    | <u>\$298,855</u> |                                    |

CAPITAL PROJECTS FUNDS

| GENERAL CAPITAL PROJECTS |             |                              | FIRE IMPACT FEE |          |                              | CYPRESS GROVE CAPITAL PROJECT |          |                              |
|--------------------------|-------------|------------------------------|-----------------|----------|------------------------------|-------------------------------|----------|------------------------------|
| Budget                   | Actual      | Variance Positive (Negative) | Budget          | Actual   | Variance Positive (Negative) | Budget                        | Actual   | Variance Positive (Negative) |
| \$1,434,000              | \$405,841   | (\$1,028,159)                |                 |          |                              |                               |          |                              |
| 1,766                    | 908         | (858)                        | \$50            | \$168    | \$118                        |                               |          |                              |
| 841                      |             | (841)                        |                 |          |                              | \$73,704                      | \$73,704 |                              |
| 1,436,607                | 406,749     | (1,029,858)                  | 50              | 168      | 118                          | 73,704                        | 73,704   |                              |
|                          |             |                              | 2,000           | 883      | 1,117                        |                               |          |                              |
| 3,085,906                | 1,021,209   | 2,064,697                    |                 |          |                              |                               |          |                              |
| 3,085,906                | 1,021,209   | 2,064,697                    | 2,000           | 883      | 1,117                        |                               |          |                              |
| (1,649,299)              | (614,460)   | 1,034,839                    | (1,950)         | (715)    | 1,235                        | 73,704                        | 73,704   |                              |
| 1,240,000                | 1,240,000   | (1,766)                      |                 |          |                              |                               |          |                              |
|                          | (1,766)     | (1,766)                      |                 |          |                              |                               |          |                              |
| 1,240,000                | 1,238,234   | (1,766)                      |                 |          |                              |                               |          |                              |
| (\$409,299)              | 623,774     | \$1,033,073                  | (\$1,950)       | (715)    | \$1,235                      | \$73,704                      | 73,704   |                              |
|                          | 409,295     |                              |                 | 81,741   |                              |                               |          |                              |
|                          | \$1,033,069 |                              |                 | \$81,026 |                              |                               | \$73,704 |                              |

(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, 2015

|  | CAPITAL PROJECTS FUND      |          |                                    | DEBT SERVICE FUND                  |           |                                    |
|--|----------------------------|----------|------------------------------------|------------------------------------|-----------|------------------------------------|
|  | STREET MAINTENANCE RESERVE |          |                                    | 2006 CERTIFICATES OF PARTICIPATION |           |                                    |
|  | Budget                     | Actual   | Variance<br>Positive<br>(Negative) | Budget                             | Actual    | Variance<br>Positive<br>(Negative) |
| REVENUES   |                            |          |                                    |                                    |           |                                    |
| Property taxes                                       |                            |          |                                    |                                    |           |                                    |
| Intergovernmental:                                   |                            |          |                                    |                                    |           |                                    |
| Other  |                            |          |                                    |                                    |           |                                    |
| Developer fees                                       |                            |          |                                    |                                    |           |                                    |
| Special assessments                                  |                            |          |                                    |                                    |           |                                    |
| Use of money and property                            |                            |          |                                    |                                    | \$570     | \$570                              |
| Miscellaneous  |                            |          |                                    |                                    |           |                                    |
| Total Revenues                                       |                            |          |                                    |                                    | 570       | 570                                |
| EXPENDITURES   |                            |          |                                    |                                    |           |                                    |
| Current:   |                            |          |                                    |                                    |           |                                    |
| Community Development                                |                            |          |                                    |                                    |           |                                    |
| Public Works   |                            |          |                                    |                                    |           |                                    |
| Recreation   |                            |          |                                    |                                    |           |                                    |
| Capital Outlay                                       |                            |          |                                    |                                    |           |                                    |
| Debt Service:  |                            |          |                                    |                                    |           |                                    |
| Principal  |                            |          |                                    | \$265,000                          | 265,000   |                                    |
| Interest and fiscal charges                          |                            |          |                                    | 306,635                            | 301,778   | 4,857                              |
| Total Expenditures                                   |                            |          |                                    | 571,635                            | 566,778   | 4,857                              |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES |                            |          |                                    | (571,635)                          | (566,208) | 5,427                              |
| OTHER FINANCING SOURCES (USES)                       |                            |          |                                    |                                    |           |                                    |
| Transfers in   | \$75,000                   | \$75,000 |                                    | 571,635                            | 571,635   |                                    |
| Transfers (out)                                      |                            |          |                                    |                                    |           |                                    |
| Total Other Financing Sources (Uses)                 | 75,000                     | 75,000   |                                    | 571,635                            | 571,635   |                                    |
| NET CHANGE IN FUND BALANCES                          | \$75,000                   | 75,000   |                                    |                                    | 5,427     | \$5,427                            |
| Fund balances (deficit) at beginning of year         |                            |          |                                    |                                    | 574,778   |                                    |
| Fund balances (deficit) at end of year               |                            | \$75,000 |                                    |                                    | \$580,205 |                                    |

## **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, 2015

|  | Equipment<br>Replacement | Capital Facilities<br>Maintenance and<br>Replacement | Total       |
|--|--------------------------|--|-------------|
| <b>ASSETS</b>                                    |                          |  |             |
| Current:   |                          |  |             |
| Cash and investments available for operations    | \$1,343,786              | \$197,997  | \$1,541,783 |
| Receivables:                                     |                          |  |             |
| Interest   | 744                      | 108  | 852         |
| Total Current Assets                             | 1,344,530                | 198,105  | 1,542,635   |
| Noncurrent:                                      |                          |  |             |
| Capital assets (net of accumulated depreciation) | 556,202                  | 6,672,792  | 7,228,994   |
| Total Assets                                     | 1,900,732                | 6,870,897  | 8,771,629   |
| <b>LIABILITIES</b>                               |                          |  |             |
| Accounts payable                                 | 542                      |  | 542         |
| Total Assets                                     | 542                      |  | 542         |
| <b>NET POSITION</b>                              |                          |  |             |
| Net investment in capital assets                 | 556,202                  | 6,672,792  | 7,228,994   |
| Unrestricted                                     | 1,343,988                | 198,105  | 1,542,093   |
| Total Net Position                               | \$1,900,190              | \$6,870,897  | \$8,771,087 |

CITY OF OAKLEY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

|   | Equipment<br>Replacement | Capital Facilities<br>Maintenance and<br>Replacement | Total              |
|---|--------------------------|--|--------------------|
| <b>OPERATING REVENUES</b>                 |                          |  |                    |
| Charges for services                      | \$50,000                 |  | \$50,000           |
| <b>Total Operating Revenues</b>           | <b>50,000</b>            |  | <b>50,000</b>      |
| <b>OPERATING EXPENSES</b>                 |                          |  |                    |
| Supplies                                  | 18,139                   | \$29,499   | 47,638             |
| Depreciation                              | 251,932                  | 240,478  | 492,410            |
| <b>Total Operating Expenses</b>           | <b>270,071</b>           | <b>269,977</b>                                       | <b>540,048</b>     |
| <b>Operating Income (Loss)</b>            | <b>(220,071)</b>         | <b>(269,977)</b>                                     | <b>(490,048)</b>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                          |  |                    |
| Interest income                           | 2,587                    | 447  | 3,034              |
| Gain from disposition of property         | 3,855                    |  | 3,855              |
| <b>Total Nonoperating Revenues</b>        | <b>6,442</b>             | <b>447</b>   | <b>6,889</b>       |
| <b>Income (Loss) Before Contributions</b> | <b>(213,629)</b>         | <b>(269,530)</b>                                     | <b>(483,159)</b>   |
| <b>Contributions</b>                      | <b>34,467</b>            |  | <b>34,467</b>      |
| <b>Change in net position</b>             | <b>(179,162)</b>         | <b>(269,530)</b>                                     | <b>(448,692)</b>   |
| <b>BEGINNING NET POSITION</b>             | <b>2,079,352</b>         | <b>7,140,427</b>                                     | <b>9,219,779</b>   |
| <b>ENDING NET POSITION</b>                | <b>\$1,900,190</b>       | <b>\$6,870,897</b>                                   | <b>\$8,771,087</b> |

CITY OF OAKLEY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

|   | Equipment<br>Replacement | Capital Facilities<br>Maintenance and<br>Replacement | Total       |
|---|--------------------------|--|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |  |             |
| Receipts from customers   | \$50,000                 |  | \$50,000    |
| Payments to suppliers   | (41,237)                 | (\$31,699)   | (72,936)    |
| Cash Flows from Operating Activities  | 8,763                    | (31,699)   | (22,936)    |
| <b>CASH FLOWS FROM CAPITAL<br/>FINANCING ACTIVITIES</b>                                       |                          |  |             |
| Acquisition of capital assets   | (90,419)                 | (6,268)  | (96,687)    |
| Proceeds from sale of capital assets  | 3,855                    |  | 3,855       |
| Cash Flows from Noncapital Financing Activities   | (86,564)                 | (6,268)  | (92,832)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |  |             |
| Interest  | 2,464                    | 449  | 2,913       |
| Net Cash Flows  | (75,337)                 | (37,518)   | (112,855)   |
| Cash and investments at beginning of period   | 1,419,123                | 235,515  | 1,654,638   |
| Cash and investments at end of period   | \$1,343,786              | \$197,997  | \$1,541,783 |
| <b>NONCASH TRANSACTIONS</b>   |                          |  |             |
| Contribution of capital assets  | \$34,467                 |  | \$34,467    |
| <b>Reconciliation of Operating Income (Loss) to Cash Flows<br/>from Operating Activities:</b> |                          |  |             |
| Operating income (loss)   | (\$220,071)              | (\$269,977)  | (\$490,048) |
| Adjustments to reconcile operating income (loss) to cash flows<br>from operating activities:  |                          |  |             |
| Depreciation  | 251,932                  | 240,478  | 492,410     |
| Net change in liabilities:  |                          |  |             |
| Accounts payable  | (23,098)                 | (2,200)  | (25,298)    |
| Cash Flows from Operating Activities  | \$8,763                  | (\$31,699)   | (\$22,936)  |

## 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, 2015

|                                      | Balance<br>June 30, 2014 | Additions           | Reductions          | Balance<br>June 30, 2015 |
|--------------------------------------|--------------------------|---------------------|---------------------|--------------------------|
| <u>Assessment District 2004-1</u>    |                          |                     |                     |                          |
| <b>Assets</b>                        |                          |                     |                     |                          |
| Cash and investments                 | \$1,040,151              | \$1,214,069         | \$1,168,149         | \$1,086,071              |
| Cash with fiscal agent               | 1,266,121                |                     | 6,536               | 1,259,585                |
| Interest receivable                  | 371                      | 476                 | 371                 | 476                      |
| <b>Total Assets</b>                  | <u>\$2,306,643</u>       | <u>\$1,214,545</u>  | <u>\$1,175,056</u>  | <u>\$2,346,132</u>       |
| <b>Liabilities</b>                   |                          |                     |                     |                          |
| Due to bondholders                   | <u>\$2,306,643</u>       | <u>\$1,214,545</u>  | <u>\$1,175,056</u>  | <u>\$2,346,132</u>       |
| <b>Total Liabilities</b>             | <u>\$2,306,643</u>       | <u>\$1,214,545</u>  | <u>\$1,175,056</u>  | <u>\$2,346,132</u>       |
| <u>Regional Mitigation Fees Fund</u> |                          |                     |                     |                          |
| <b>Assets</b>                        |                          |                     |                     |                          |
| Cash and investments                 | <u>\$435,330</u>         | <u>\$3,218,042</u>  | <u>\$2,761,239</u>  | <u>\$892,133</u>         |
| <b>Liabilities</b>                   |                          |                     |                     |                          |
| Due to other agencies                | <u>\$435,330</u>         | <u>\$3,218,042</u>  | <u>\$2,761,239</u>  | <u>\$892,133</u>         |
| <b>Total Liabilities</b>             | <u>\$435,330</u>         | <u>\$3,218,042</u>  | <u>\$2,761,239</u>  | <u>\$892,133</u>         |
| <u>Assessment District 2006-1</u>    |                          |                     |                     |                          |
| <b>Assets</b>                        |                          |                     |                     |                          |
| Cash and investments                 | \$532,037                | \$10,924,202        | \$10,780,445        | \$675,794                |
| Cash with fiscal agent               | 745,863                  |                     | 407,640             | 338,223                  |
| Interest receivable                  | 164                      | 281                 | 164                 | 281                      |
| <b>Total Assets</b>                  | <u>\$1,278,064</u>       | <u>\$10,924,483</u> | <u>\$11,188,249</u> | <u>\$1,014,298</u>       |
| <b>Liabilities</b>                   |                          |                     |                     |                          |
| Due to bondholders                   | <u>\$1,278,064</u>       | <u>\$10,924,483</u> | <u>\$11,188,249</u> | <u>\$1,014,298</u>       |
| <b>Total Liabilities</b>             | <u>\$1,278,064</u>       | <u>\$10,924,483</u> | <u>\$11,188,249</u> | <u>\$1,014,298</u>       |
| <u>Totals - All Agency Funds</u>     |                          |                     |                     |                          |
| <b>Assets</b>                        |                          |                     |                     |                          |
| Cash and investments                 | \$2,007,518              | \$15,356,313        | \$14,709,833        | \$2,653,998              |
| Cash with fiscal agent               | 2,011,984                |                     | 414,176             | 1,597,808                |
| Interest receivable                  | 535                      | 757                 | 535                 | 757                      |
| <b>Total Assets</b>                  | <u>\$4,020,037</u>       | <u>\$15,357,070</u> | <u>\$15,124,544</u> | <u>\$4,252,563</u>       |
| <b>Liabilities</b>                   |                          |                     |                     |                          |
| Due to other agencies                | \$435,330                | \$3,218,042         | \$2,761,239         | \$892,133                |
| Due to bondholders                   | <u>3,584,707</u>         | <u>12,139,028</u>   | <u>12,363,305</u>   | <u>3,360,430</u>         |
| <b>Total Liabilities</b>             | <u>\$4,020,037</u>       | <u>\$15,357,070</u> | <u>\$15,124,544</u> | <u>\$4,252,563</u>       |

# 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 wellbeing 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:

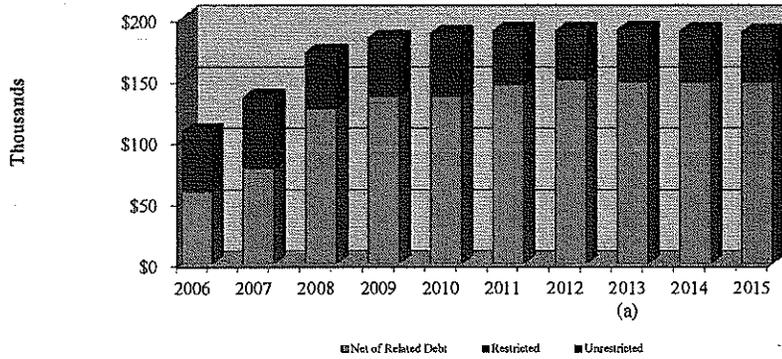
1. Budgeted Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

### ***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, |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2006                       | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013 (a)         | 2014             | 2015             |
| <i>Primary government</i>                         |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <i>Governmental activities</i>                    |                            |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Net investment in capital assets                  | \$58,624                   | \$76,945         | \$126,106        | \$136,077        | \$136,320        | \$145,396        | \$149,394        | \$148,296        | \$147,874        | \$147,685        |
| Restricted  | 41,703                     | 48,240           | 35,170           | 37,745           | 40,968           | 34,572           | 28,647           | 28,996           | 27,042           | 26,651           |
| Unrestricted                                      | 7,072                      | 9,894            | 10,473           | 9,727            | 9,979            | 9,713            | 11,462           | 12,975           | 14,338           | 13,898           |
| <b>Total governmental activities net position</b> | <b>\$107,399</b>           | <b>\$135,079</b> | <b>\$171,749</b> | <b>\$183,549</b> | <b>\$187,267</b> | <b>\$189,681</b> | <b>\$189,503</b> | <b>\$190,267</b> | <b>\$189,254</b> | <b>\$188,234</b> |

NOTES:

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

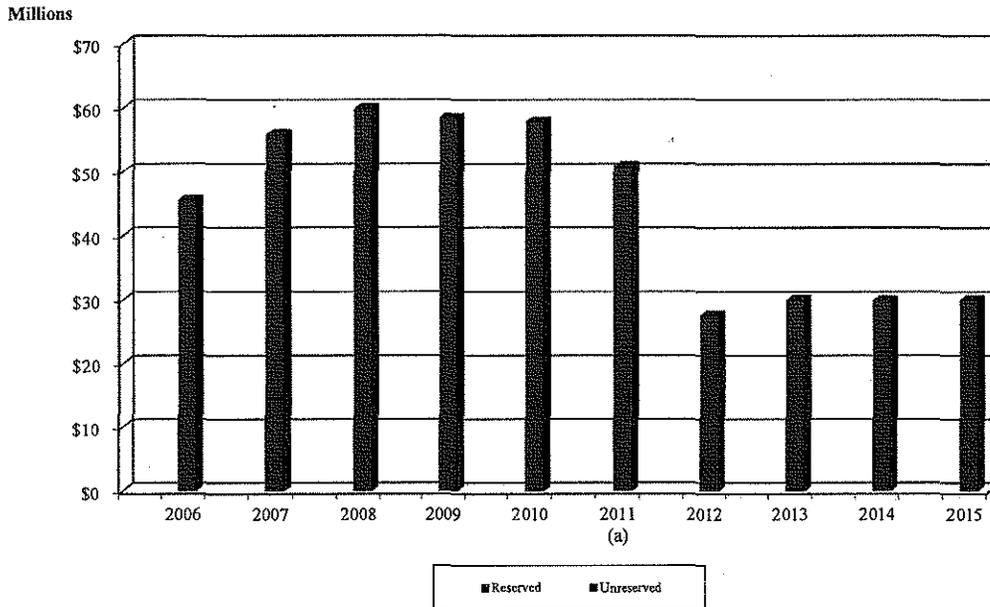
**CITY OF OAKLEY**  
**Changes in Net Position (000's)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

|   | Fiscal Year Ended June 30, |                 |                 |                  |                  |                  |                  |                  |                  |                   |
|---|----------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
|   | 2006                       | 2007            | 2008            | 2009             | 2010             | 2011             | 2012             | 2013 (e)         | 2014             | 2015              |
| <b>Expenses</b>                               |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| <b>Governmental Activities:</b>               |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| Legislative                                   | \$409                      | \$370           | \$574           | \$835            | \$492            | \$500            | \$466            | \$492            | \$446            | \$466             |
| Administrative Services                       | 1,225                      | 957             | 1,043           | 986              | 872              | 913              | 769              | 973              | 1,301            | 1,341             |
| Community Development                         | 14,592                     | 11,308          | 7,914 (a)       | 7,258            | 2,572 (b)        | 1,830            | 1,711            | 1,802            | 1,819            | 1,843             |
| Public Works                                  |                            |                 | 3,074 (a)       | 3,994            | 8,687 (b)        | 9,181            | 12,507 (c)       | 9,631            | 10,177           | 10,640            |
| Redevelopment and<br>Economic Development     | 1,625                      | 3,147           | 2,511           | 2,052            | 3,610            | 2,023            | 932 (d)          |                  |                  |                   |
| Housing Programs                              |                            |                 |                 |                  |                  |                  |                  | 9                | 8                | 45                |
| Law Enforcement                               | 5,039                      | 5,530           | 6,703           | 7,228            | 7,280            | 7,259            | 7,462            | 7,338            | 7,694            | 8,314             |
| Recreation                                    | 682                        | 543             | 313             | 464              | 352              | 273              | 360              | 420              | 478              | 524               |
| Interest and fiscal charges                   | 495                        | 890             | 2,383           | 2,012            | 2,030            | 2,000            | 606 (d)          | 324              | 317              | 301               |
| <b>Total Governmental Activities Expenses</b> | <b>24,067</b>              | <b>22,745</b>   | <b>24,515</b>   | <b>24,829</b>    | <b>25,895</b>    | <b>23,979</b>    | <b>24,813</b>    | <b>20,989</b>    | <b>22,240</b>    | <b>23,474</b>     |
| <b>Total Primary Government Expenses</b>      | <b>\$24,067</b>            | <b>\$22,745</b> | <b>\$24,515</b> | <b>\$24,829</b>  | <b>\$25,895</b>  | <b>\$23,979</b>  | <b>\$24,813</b>  | <b>\$20,989</b>  | <b>\$22,240</b>  | <b>\$23,474</b>   |
| <b>Program Revenues</b>                       |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| <b>Governmental Activities:</b>               |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| <b>Charges for Services:</b>                  |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| Administrative Services                       | \$556                      | \$689           | \$271           | \$164            | \$239            | \$156            | \$154            | \$235            | \$266            | \$252             |
| Community Development                         | 9,846                      | 8,190           | 3,606           | 2,010            | 1,954            | 1,341            | 1,186            | 1,461            | 1,154            | 1,375             |
| Public Works                                  |                            |                 | 2,780           | 3,062            | 3,307            | 3,209            | 3,266            | 3,391            | 3,499            | 3,592             |
| Law Enforcement                               | 915                        | 1,654           | 2,070           | 2,231            | 2,328            | 2,426            | 2,718            | 3,038            | 3,232            | 3,506             |
| Recreation                                    | 39                         | 37              | 31              | 41               | 47               | 42               | 74               | 54               | 69               | 73                |
| Operating Grants and Contributions            | 1,061                      | 1,153           | 799             | 1,196            | 1,225            | 1,116            | 1,630            | 1,371            | 1,503            | 1,714             |
| Capital Grants and Contributions              | 9,260                      | 20,977          | 27,856          | 12,839           | 8,671            | 5,940            | 8,433            | 3,360            | 2,625            | 2,715             |
| <b>Total Government Activities</b>            | <b>21,677</b>              | <b>32,700</b>   | <b>37,413</b>   | <b>21,543</b>    | <b>17,771</b>    | <b>14,230</b>    | <b>17,461</b>    | <b>12,910</b>    | <b>12,348</b>    | <b>13,227</b>     |
| <b>Total Primary Government</b>               | <b>21,677</b>              | <b>32,700</b>   | <b>37,413</b>   | <b>21,543</b>    | <b>17,771</b>    | <b>14,230</b>    | <b>17,461</b>    | <b>12,910</b>    | <b>12,348</b>    | <b>13,227</b>     |
| <b>Net (Expense)/Revenue</b>                  |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| Governmental Activities                       | (\$2,390)                  | \$9,955         | \$12,898        | (\$3,286)        | (\$8,124)        | (\$9,749)        | (\$7,352)        | (\$8,079)        | (\$9,892)        | (\$10,247)        |
| <b>Total Primary Government Net Expense</b>   | <b>(\$2,390)</b>           | <b>\$9,955</b>  | <b>\$12,898</b> | <b>(\$3,286)</b> | <b>(\$8,124)</b> | <b>(\$9,749)</b> | <b>(\$7,352)</b> | <b>(\$8,079)</b> | <b>(\$9,892)</b> | <b>(\$10,247)</b> |
| <b>General Revenues and Other</b>             |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| <b>Changes in Net Position</b>                |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| <b>Governmental Activities:</b>               |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| <b>Taxes:</b>                                 |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| Property Taxes                                | \$7,423                    | \$9,579         | \$10,096        | \$9,652          | \$7,370          | \$7,050          | \$5,561 (d)      | \$4,359          | \$4,499          | \$5,331           |
| Sales Taxes                                   | 1,194                      | 1,268           | 1,617           | 1,466            | 1,343            | 1,413            | 1,590            | 1,618            | 1,521            | 1,506             |
| Motor Vehicle In-Lieu                         | 625                        | 167             | 150             | 121              | 109              | 159              | 18               | 18               | 16               | 16                |
| Transient Occupancy Tax                       | 208                        | 220             | 217             | 164              | 128              | 118              | 165              | 196              | 195              | 196               |
| Nonregulatory Franchise and Business          | 462                        | 558             | 584             | 634              | 726              | 1,062            | 1,136            | 1,222            | 1,341            | 1,418             |
| Interest Earnings and Use of Property         | 1,676                      | 3,412           | 2,774           | 1,915            | 995              | 883              | 653              | 371              | 436              | 519               |
| Other   | 1,468                      | 2,522           | 1,072           | 1,134            | 1,171            | 1,477            | 873              | 1,058            | 871              | 1,056             |
| Extraordinary / Special Item                  |                            |                 |                 |                  |                  |                  | (2,820) (d)      |                  |                  | 362 (f)           |
| <b>Total Government Activities</b>            | <b>13,056</b>              | <b>17,726</b>   | <b>16,510</b>   | <b>15,086</b>    | <b>11,842</b>    | <b>12,162</b>    | <b>7,176</b>     | <b>8,842</b>     | <b>8,879</b>     | <b>10,404</b>     |
| <b>Total Primary Government</b>               | <b>\$13,056</b>            | <b>\$17,726</b> | <b>\$16,510</b> | <b>\$15,086</b>  | <b>\$11,842</b>  | <b>\$12,162</b>  | <b>\$7,176</b>   | <b>\$8,842</b>   | <b>\$8,879</b>   | <b>\$10,404</b>   |
| <b>Change in Net Position</b>                 |                            |                 |                 |                  |                  |                  |                  |                  |                  |                   |
| Governmental Activities                       | \$10,666                   | \$27,681        | \$29,408        | \$11,800         | \$3,718          | \$2,413          | (\$176)          | \$763            | (\$1,013)        | \$157             |
| <b>Total Primary Government</b>               | <b>\$10,666</b>            | <b>\$27,681</b> | <b>\$29,408</b> | <b>\$11,800</b>  | <b>\$3,718</b>   | <b>\$2,413</b>   | <b>(\$176)</b>   | <b>\$763</b>     | <b>(\$1,013)</b> | <b>\$157</b>      |

**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."
- (f) Pursuant to a settlement agreement with the Department of Finance, the City transferred assets to the Successor Agency and the Successor Agency transferred assets to the City.

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



|   | Fiscal Year Ended June 30, |                 |                 |                 |                 |                 |                     |                 |                 |                     |
|---|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|---------------------|
|   | 2006                       | 2007            | 2008            | 2009            | 2010            | 2011 (a)        | 2012                | 2013            | 2014            | 2015                |
| <b>General Fund</b>                       |                            |                 |                 |                 |                 |                 |                     |                 |                 |                     |
| Reserved                                  | \$2,657                    | \$2,210         | \$2,074         | \$1,834         | \$1,593         |                 |                     |                 |                 |                     |
| Unreserved                                | 5,248                      | 7,493           | 5,656           | 4,748           | 5,353           |                 |                     |                 |                 |                     |
| Nonspendable                              |                            |                 |                 |                 |                 | \$2,847         | \$2,843             | \$3,301         | \$3,654         | \$4,375             |
| Restricted                                |                            |                 |                 |                 |                 | 559             | 559                 | 559             | 560             | 559                 |
| Assigned                                  |                            |                 |                 |                 |                 | 155             | 100                 | 991             | 331             | 170                 |
| Unassigned                                |                            |                 |                 |                 |                 | 4,347           | 5,255               | 6,151           | 7,837           | 7,938               |
| <b>Total General Fund</b>                 | <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> | <u>\$13,042</u> (c) |
| <b>All Other Governmental Funds</b>       |                            |                 |                 |                 |                 |                 |                     |                 |                 |                     |
| Reserved                                  | \$7,411                    | \$12,353        | \$11,049        | \$8,939         | \$11,565        |                 |                     |                 |                 |                     |
| Unreserved, reported in:                  |                            |                 |                 |                 |                 |                 |                     |                 |                 |                     |
| Special revenue funds                     | 2,311                      | 3,178           | 5,109           | 6,204           | 7,526           |                 |                     |                 |                 |                     |
| Capital project funds                     | 27,852                     | 30,518          | 35,903          | 36,634          | 31,761          |                 |                     |                 |                 |                     |
| Nonspendable                              |                            |                 |                 |                 |                 | \$497           |                     |                 |                 |                     |
| Restricted                                |                            |                 |                 |                 |                 | 42,404          | \$19,210            | \$19,898        | \$18,233        | \$17,525            |
| Assigned                                  |                            |                 |                 |                 |                 | 1,344           | 884                 | 698             | 668             | 829                 |
| Unassigned                                |                            |                 |                 |                 |                 | (1,339)         | (1,320)             | (1,645)         | (1,467)         | (1,374)             |
| <b>Total all other governmental funds</b> | <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> (b) | <u>\$18,951</u> | <u>\$17,434</u> | <u>\$16,980</u> (c) |

**NOTES:**

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

**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, |                 |                |                  |                |                  |                   |                |                |               |
|--|----------------------------|-----------------|----------------|------------------|----------------|------------------|-------------------|----------------|----------------|---------------|
|  | 2006                       | 2007            | 2008           | 2009             | 2010           | 2011             | 2012 (c)          | 2013           | 2014           | 2015          |
| <b>Revenues</b>  |                            |                 |                |                  |                |                  |                   |                |                |               |
| Taxes  | \$9,197                    | \$11,514        | \$12,403       | \$11,799         | \$9,017        | \$9,526          | \$8,344           | \$7,729        | \$7,446        | \$8,331       |
| Licenses, permits and fees                                     | 3,739                      | 3,652           | 1,909          | 1,252            | 1,392          | 950              | 990               | 1,178          | 1,345          | 1,285         |
| Fines and forfeitures  | 99                         | 198             | 134            | 140              | 177            | 149              | 136               | 181            | 159            | 135           |
| Use of money and property                                      | 1,656                      | 3,210           | 2,313          | 1,629            | 673            | 578              | 418               | 121            | 231            | 319           |
| Intergovernmental revenues                                     | 2,693                      | 2,401           | 2,319          | 1,715            | 4,210          | 2,538            | 2,164             | 3,306          | 2,471          | 2,651         |
| Charges for services   | 15,506                     | 14,334          | 13,166         | 8,152            | 10,323         | 7,378            | 8,293             | 8,648          | 8,941          | 9,259         |
| Other  | 1,648                      | 11,522          | 1,071          | 1,133            | 1,171          | 1,384            | 932               | 1,123          | 971            | 1,116         |
| <b>Total Revenues</b>  | <b>34,538</b>              | <b>46,831</b>   | <b>33,315</b>  | <b>25,820</b>    | <b>26,963</b>  | <b>22,503</b>    | <b>21,277</b>     | <b>22,286</b>  | <b>21,564</b>  | <b>23,096</b> |
| <b>Expenditures</b>  |                            |                 |                |                  |                |                  |                   |                |                |               |
| <b>Current:</b>  |                            |                 |                |                  |                |                  |                   |                |                |               |
| Legislative  | 419                        | 377             | 567            | 809              | 462            | 483              | 452               | 481            | 433            | 449           |
| Administrative services  | 1,049                      | 893             | 955            | 878              | 785            | 783              | 766               | 918            | 1,110          | 1,287         |
| Community development  | 11,753                     | 8,895           | 4,014 (a)      | 2,575            | 2,338          | 1,788            | 1,677             | 1,771          | 1,787          | 1,821         |
| Public works   |                            |                 | 3,074 (a)      | 4,627            | 3,877          | 3,682            | 3,641             | 4,015          | 4,608          | 4,661         |
| Redevelopment and economic development                         | 3,415                      | 6,094           | 659            | 642              | 489            | 455              | 276               |                |                |               |
| Housing programs   |                            |                 |                |                  |                |                  |                   | 9              | 8              | 5             |
| Law enforcement  | 5,130                      | 5,599           | 6,633          | 6,952            | 6,955          | 7,002            | 7,437             | 7,186          | 7,458          | 7,975         |
| Recreation   | 689                        | 549             | 308 (a)        | 464              | 329            | 264              | 353               | 414            | 471            | 522           |
| Pass through to County and other agencies                      | 604                        | 809             | 824            | 799              | 615            | 579              | 642               |                |                |               |
| SERAF payment  |                            |                 |                |                  | 1,516          | 312              |                   |                |                |               |
| Estimated reduction in value of property held for resale       |                            |                 |                |                  | 274            |                  |                   |                |                | 40            |
| Capital outlay   | 6,820                      | 21,359          | 40,822 (b)     | 6,962            | 7,123          | 10,644           | 5,946             | 4,502          | 5,253          | 5,293         |
| <b>Debt service:</b>   |                            |                 |                |                  |                |                  |                   |                |                |               |
| Principal repayment  | 673                        | 365             | 610            | 680              | 720            | 742              | 465               | 240            | 255            | 265           |
| Interest and fiscal charges                                    | 497                        | 833             | 2,137          | 1,864            | 2,043          | 2,011            | 1,159             | 329            | 318            | 306           |
| <b>Total Expenditures</b>                                      | <b>31,049</b>              | <b>45,773</b>   | <b>60,603</b>  | <b>27,252</b>    | <b>27,526</b>  | <b>28,745</b>    | <b>22,814</b>     | <b>19,865</b>  | <b>21,701</b>  | <b>22,624</b> |
| Excess (deficiency) of revenues over (under) expenditures      | 3,489                      | 1,058           | (27,288)       | (1,432)          | (563)          | (6,242)          | (1,537)           | 2,421          | (137)          | 472           |
| <b>Other Financing Sources (Uses)</b>                          |                            |                 |                |                  |                |                  |                   |                |                |               |
| Transfers in   | 1,507                      | 2,925           | 5,530          | 3,560            | 2,110          | 3,214            | 2,100             | 925            | 1,067          | 2,227         |
| Transfers (out)  | (1,507)                    | (2,925)         | (5,530)        | (3,560)          | (2,110)        | (3,952)          | (2,100)           | (925)          | (1,067)        | (2,227)       |
| Proceeds (loss) from sale of property                          | 296                        | 714             | 6,233          |                  |                |                  | (14)              |                |                | 10            |
| Tax allocation bonds issued                                    |                            |                 | 25,095         |                  |                |                  |                   |                |                |               |
| Certificates of participation issued                           |                            | 8,500           |                |                  |                |                  |                   |                |                |               |
| Contribution from County                                       |                            |                 |                |                  |                |                  |                   |                |                |               |
| Payments to refunded bond escrow                               |                            |                 |                |                  |                |                  |                   |                |                |               |
| Other  |                            |                 |                |                  |                |                  |                   |                |                |               |
| <b>Total other financing sources (uses)</b>                    | <b>296</b>                 | <b>9,214</b>    | <b>31,328</b>  |                  |                | <b>(738)</b>     | <b>(14)</b>       |                |                | <b>10</b>     |
| Special item   | 113                        |                 |                |                  |                |                  |                   |                |                | (274)         |
| Extraordinary item   |                            |                 |                |                  |                |                  | (21,734)          |                |                |               |
| <b>Net Change in fund balances</b>                             | <b>\$3,898</b>             | <b>\$10,272</b> | <b>\$4,040</b> | <b>(\$1,432)</b> | <b>(\$563)</b> | <b>(\$6,980)</b> | <b>(\$23,285)</b> | <b>\$2,421</b> | <b>(\$137)</b> | <b>\$208</b>  |
| <b>Debt service as a percentage of noncapital expenditures</b> |                            |                 |                |                  |                |                  |                   |                |                |               |
|  | 5.1%                       | 5.2%            | 4.5%           | -38.2%           | 13.8%          | 12.7%            | 13.0%             | 4.0%           | 3.3%           | 3.3%          |

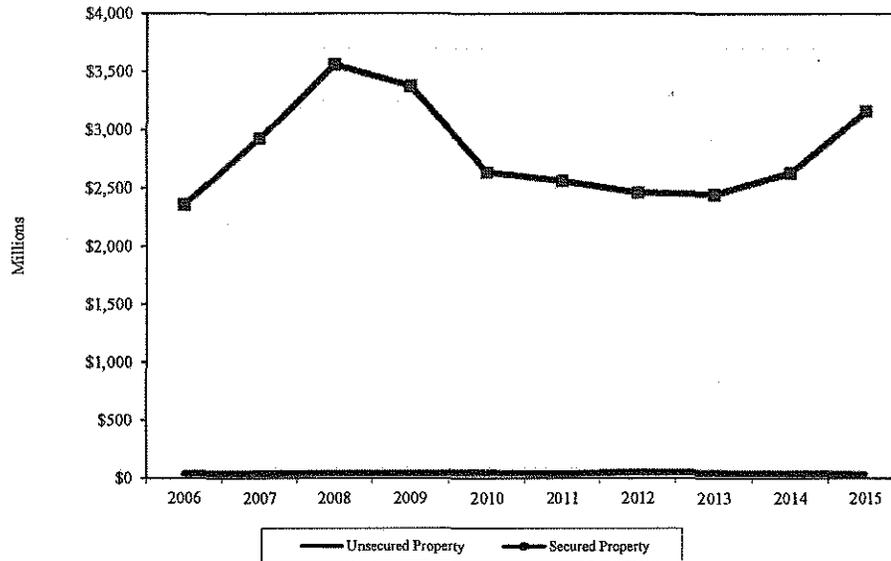
**NOTES:**

(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**



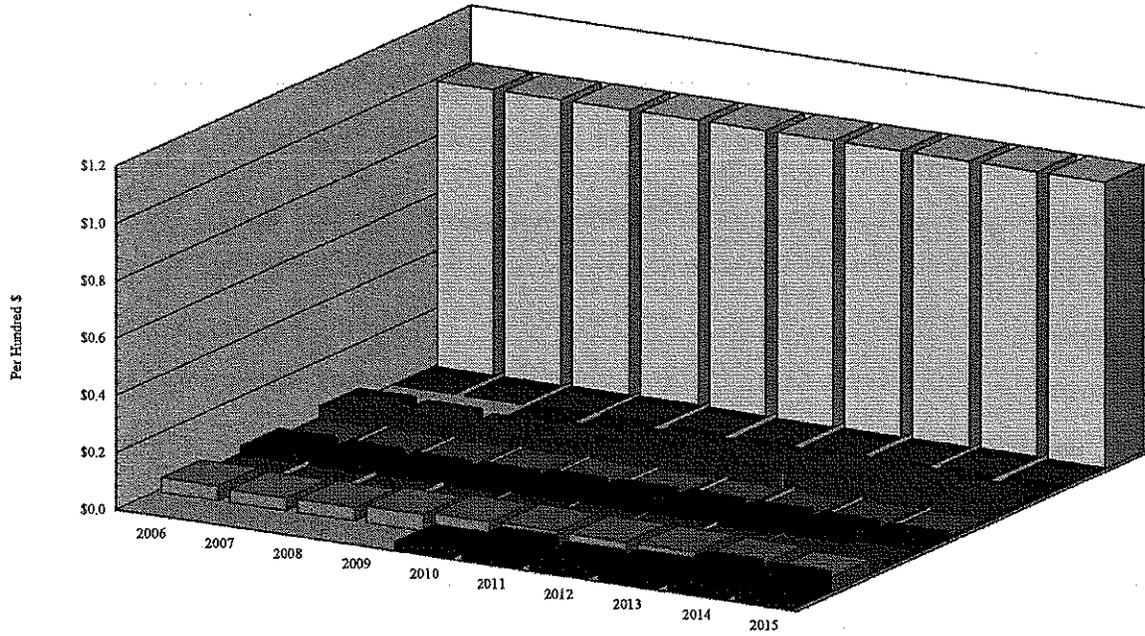
| Fiscal Year | Real Property        |                     |                     |       | Total Real Secured Property | Unsecured Property | Total Assessed (a) | Estimated Full Market (a) | Total Direct Tax Rate (b) |
|-------------|----------------------|---------------------|---------------------|-------|-----------------------------|--------------------|--------------------|---------------------------|---------------------------|
|             | Residential Property | Commercial Property | Industrial Property | Other |                             |                    |                    |                           |                           |
| 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%                        |
| 2015        | 2,869                | 112                 | 11                  | 131   | 3,123                       | 38                 | 3,161              | 3,161                     | 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**



|                                   |  |                                  |
|-----------------------------------|--|----------------------------------|
| ■ Antioch Unified School District | ■ Brentwood Elementary School District | ■ Contra Costa Community College |
| ■ Liberty Union School District   | ■ East Bay Regional Park District      | ■ Oakley Union School District   |
| ■ Las Positas Community College   | ■ BART                                 | ■ Basic County Wide Levy         |

| Fiscal Year | Basic County Wide Levy | East Bay Regional Park District | Oakley Union School District | Liberty Union School District | Brentwood Elementary School District | Contra Costa Community College | BART     | Contra Costa Water Land Levy | Chabot Las Positas Community College | Antioch Unified School District | Total    |
|-------------|------------------------|---------------------------------|------------------------------|-------------------------------|--------------------------------------|--------------------------------|----------|------------------------------|--------------------------------------|---------------------------------|----------|
| 2006        | \$1.0000               | \$0.0057                        | \$0.0542                     | \$0.0379                      | \$0.0519                             | \$0.0047                       | \$0.0048 | \$0.0050                     |                                      |                                 | \$1.1642 |
| 2007        | 1.0000                 | 0.0085                          | 0.0472                       | 0.0331                        | 0.0444                               | 0.0043                         | 0.0050   | 0.0043                       |                                      |                                 | 1.1468   |
| 2008        | 1.0000                 | 0.0080                          | 0.0357                       | 0.0276                        | 0.0470                               | 0.0038                         | 0.0076   | 0.0039                       | \$0.0070                             |                                 | 1.1406   |
| 2009        | 1.0000                 | 0.0100                          | 0.0460                       | 0.0289                        | 0.0587                               | 0.0040                         | 0.0090   | 0.0041                       | 0.0026                               |                                 | 1.1633   |
| 2010        | 1.0000                 | 0.0108                          | 0.0659                       | 0.0376                        | 0.0682                               | 0.0126                         | 0.0057   | 0.0048                       | 0.0000                               | \$0.0306                        | 1.2362   |
| 2011        | 1.0000                 | 0.0084                          | 0.0725                       | 0.0390                        | 0.0715                               | 0.0133                         | 0.0031   | 0.0049                       | 0.0000                               | 0.0578                          | 1.2705   |
| 2012        | 1.0000                 | 0.0071                          | 0.0767                       | 0.0386                        | 0.0688                               | 0.0144                         | 0.0041   | 0.0051                       | 0.0000                               | 0.0417                          | 1.2565   |
| 2013        | 1.0000                 | 0.0051                          | 0.0823                       | 0.0364                        | 0.0685                               | 0.0087                         | 0.0043   | 0.0045                       | 0.0000                               | 0.0495                          | 1.2593   |
| 2014        | 1.0000                 | 0.0078                          | 0.0757                       | 0.0328                        | 0.0639                               | 0.0133                         | 0.0075   | 0.0042                       | 0.0000                               | 0.0809                          | 1.2861   |
| 2015        | 1.0000                 | 0.0085                          | 0.0614                       | 0.0273                        | 0.0522                               | 0.0252                         | 0.0045   | 0.0037                       | 0.0000                               | 0.0764                          | 1.2592   |

Source: Contra Costa County Auditor-Controller

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

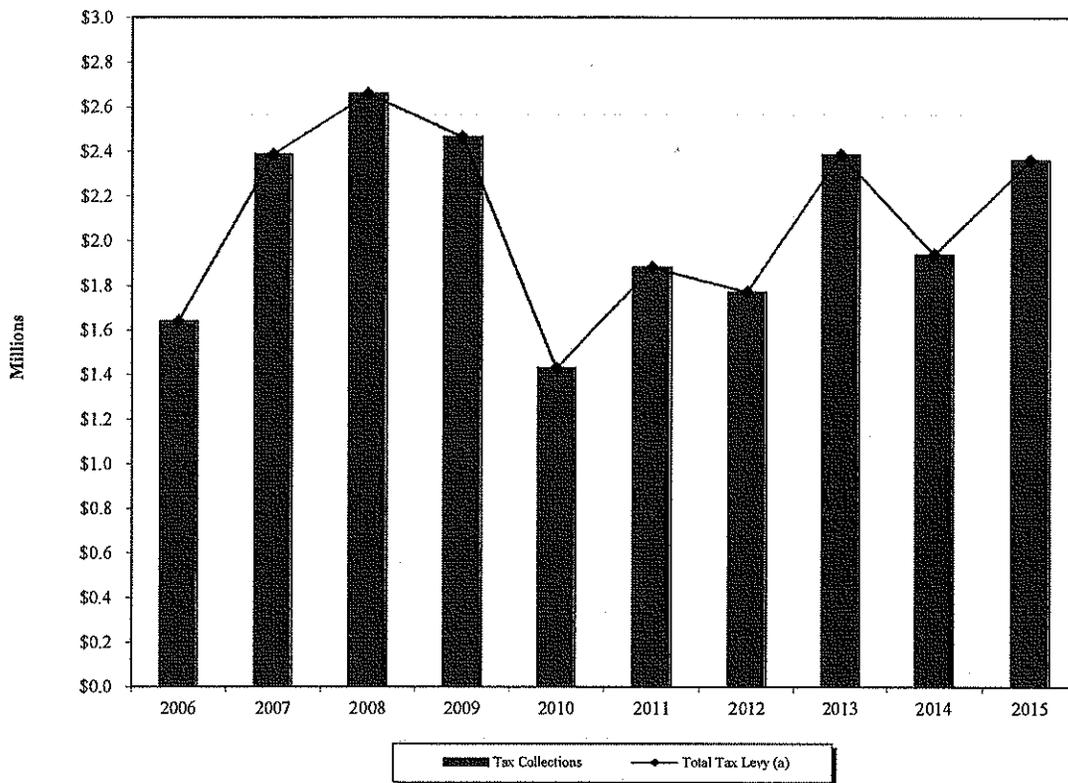
| Taxpayer                         | 2014-15                |      |   | 2005-06                |      |   |
|----------------------------------|------------------------|------|---|------------------------|------|---|
|                                  | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| East County Communities LLC      | \$23,045,781           | 1    | 0.73%   |                        |      |   |
| Cypress Square S&R Associates    | 18,101,126             | 2    | 0.57%   | \$15,918,791           | 1    | 0.67%   |
| Hui Y. Sefton                    | 12,797,100             | 3    | 0.40%   |                        |      |   |
| Neroly Sports Club Investors     | 11,636,425             | 4    | 0.37%   |                        |      |   |
| Lucky No California Investor LLC | 8,385,446              | 5    | 0.27%   |                        |      |   |
| Shea Homes LP                    | 8,271,800              | 6    | 0.26%   |                        |      |   |
| Shurgard Storage Center          | 7,411,923              | 7    | 0.23%   | 6,481,088              | 6    | 0.27%   |
| BMS Investments 3 LLC            | 6,310,604              | 8    | 0.20%   | 5,683,134              | 10   | 0.24%   |
| HPH Properties LP                | 6,156,745              | 9    | 0.19%   |                        | 8    |   |
| Simon-Oakley Town Center LLC     | 6,119,300              | 10   | 0.19%   | 7,344,000              | 5    | 0.31%   |
| Pulte Home Corporation           |                        |      |   | 15,115,830             | 2    | 0.64%   |
| West Coast Home Builders         |                        |      |   | 8,732,842              | 3    | 0.37%   |
| Lucky Stores Inc.                |                        |      |   | 7,468,042              | 4    | 0.32%   |
| Forecast Land Investment LLC     |                        |      |   | 6,446,410              | 7    | 0.27%   |
| Oakley Main Street Associates    |                        |      |   | 6,415,400              | 8    | 0.27%   |
| Western Oilfields Supply Company |                        |      |   | 6,374,480              | 9    | 0.27%   |
| Subtotal                         | <u>\$108,236,250</u>   |      | <u>3.42%</u>                                    | <u>\$85,980,017</u>    |      | <u>3.64%</u>                                    |

Total Net Assessed Valuation (000's):

Fiscal Year 2014-2015      \$3,161,000,000  
Fiscal Year 2005-2006      \$2,360,000,000

Source: HdL Companies (Contra Costa County Assessor 2014/2015 and 2005/2006 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 |
|-------------|--------------------|-------------------------|---------------------------|----------------------------|-----------------------|--|
| 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%                                       |
| 2015        | 2,364              | 2,364                   | 100.0%                    | (a)                        | 2,364                 | 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) |                                 |   |              |                               |         | Total | Percentage of Personal Income (a) | Per Capita (a) |
|-------------|--|---------------------------------|---|--------------|-------------------------------|---------|-------|-----------------------------------|----------------|
|             | Tax Allocation Bonds                   | Repayment Agreement with County | Jurisdictional Transfer Agreement Pass - Throughs | Note Payable | Certificates of Participation |         |       |                                   |                |
| 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                               |                |
| 2015        | 0                                      | 0                               | 0   | 0            | 6,690                         | 6,690   | 0.66% | 175                               |                |

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, 2015**

2014-15 Assessed Valuation, Excluding the Redevelopment Agency \$2,837,349,215

|  | Net<br>Debt<br>Outstanding    | Percentage<br>Applicable<br>To City of<br>Oakley | Amount<br>Applicable<br>To City of<br>Oakley |
|--|-------------------------------|--|--|
| <b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>                                  |                               |  |  |
| Contra Costa County Pension Obligations                                      | \$236,920,000                 | 1.968%   | \$4,663,585                                  |
| CCC Lease Revenue Bonds  | 267,089,336                   | 1.968%   | 5,257,444                                    |
| Bay Area Rapid Transit District Bond   | 179,807,423                   | 1.968%   | 3,539,368                                    |
| East Bay Regional Park District Bond   | 78,104,202                    | 1.968%   | 1,537,420                                    |
| Liberty Union High School District Bonds                                     | 89,122,657                    | 19.052%  | 16,979,713                                   |
| Brentwood Union School District Bonds  | 79,769,704                    | 0.026%   | 20,369                                       |
| Oakley Union School District Bonds   | 25,675,000                    | 87.272%  | 22,407,155                                   |
| Antioch Unified School District School Facilities Improvement District No. 1 | 62,787,634                    | 5.559%   | 3,490,251                                    |
| Contra Costa Community College District Bonds                                | 604,800,000                   | 1.976%   | 11,951,620                                   |
| <b>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT</b>                       | <b><u>\$1,624,075,956</u></b> |  | <b><u>\$69,846,925</u></b>                   |
| <b>DIRECT DEBT:</b>  |                               |  |  |
| <b>City of Oakley Certificates of Participation</b>                          | <b><u>\$6,690,000</u></b>     | 100.000%   | <b><u>\$6,690,000</u></b>                    |
| <b>TOTAL DIRECT AND OVERLAPPING DEBT</b>                                     |                               |  | <b><u>\$76,536,925 (1)</u></b>               |

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

**RATIOS TO 2014-15 ASSESSED VALUATION:**

|                  |       |
|------------------|-------|
| Direct Debt      | 0.24% |
| Overlapping Debt | 2.46% |
| Total Debt       | 2.70% |

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, 2015**

ASSESSED VALUATION:

Secured property assessed value, net of  
exempt real property \$3,161,000,000

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) \$118,537,500

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 0

Amount of debt subject to limit 0

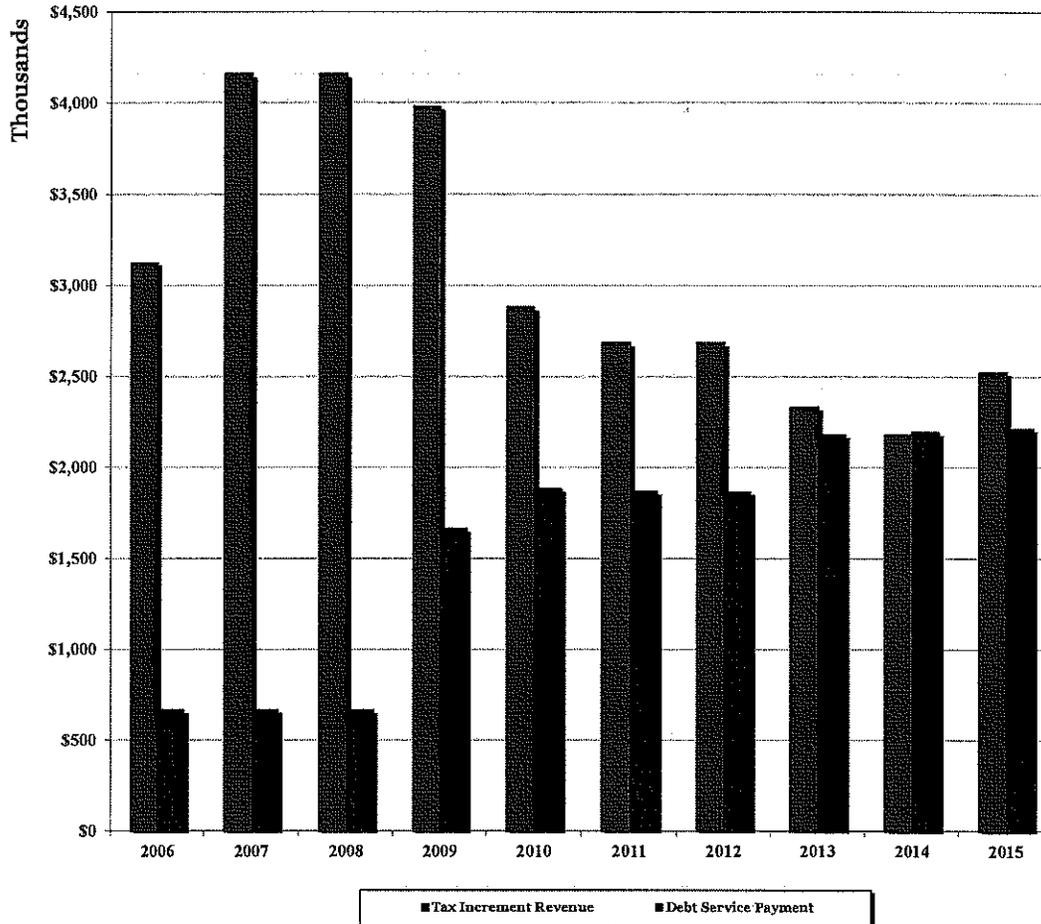
LEGAL BONDED DEBT MARGIN \$118,537,500

| Fiscal<br>Year | Debt<br>Limit | Total Net Debt<br>Applicable to<br>Limit | Legal<br>Debt<br>Margin | Total net debt<br>applicable to the limit<br>as a percentage<br>of debt limit |
|----------------|---------------|--|-------------------------|---|
| 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%   |
| 2015           | 118,537,500   | 0  | 118,537,500             | 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**

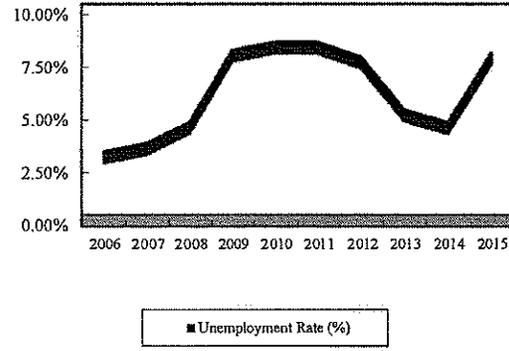
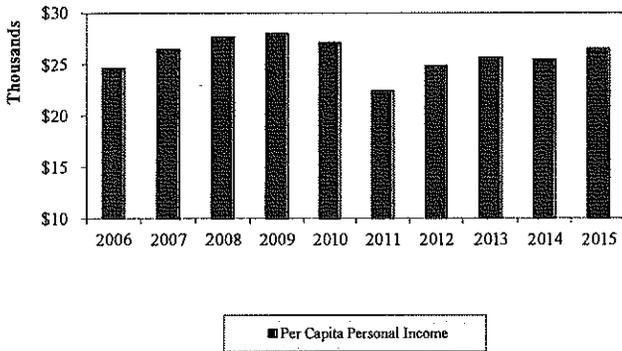
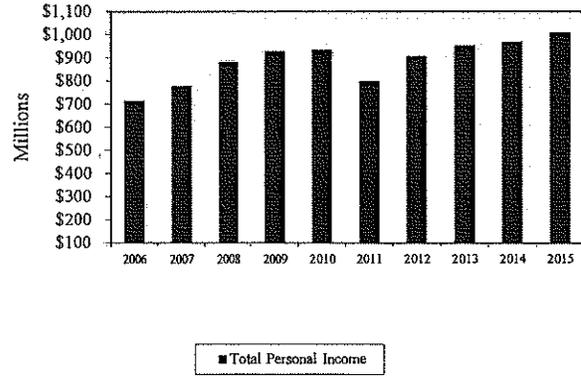
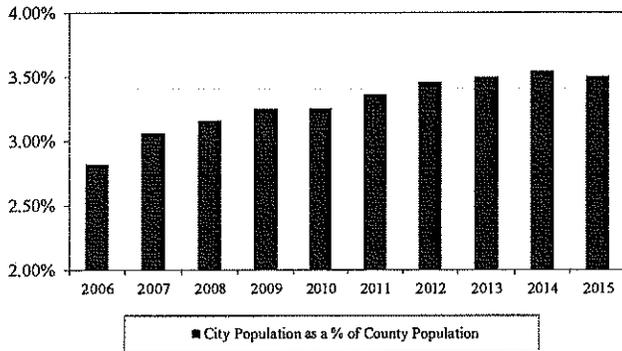


| Fiscal Year | Tax Increment Revenue | Debt Service Requirements |               |           | Coverage |
|-------------|-----------------------|---------------------------|---------------|-----------|----------|
|             |                       | Principal                 | Interest      | Total     |          |
| 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) (b)     | 235,000 (a)               | 1,631,824 (a) | 1,866,824 | 1.44     |
| 2013        | 2,332,827 (b)         | 560,000 (c)               | 1,619,876 (c) | 2,179,876 | 1.07     |
| 2014        | 2,180,805 (b)         | 610,000 (c)               | 1,585,609 (c) | 2,195,609 | 0.99     |
| 2015        | 2,525,004 (b)         | 660,000 (c)               | 1,555,802 (c) | 2,215,802 | 1.14     |

- (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.

Source: City of Oakley Annual Financial Statements

**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 |
|-------------|-----------------|-----------------------|----------------------------|---------------------------|--------------------------------|-----------------------------|
| 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%                       |
| 2015        | 38,124          | 1,010,134,000         | 26,496                     | 7.7%                      | 1,088,764                      | 3.50%                       |

(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**

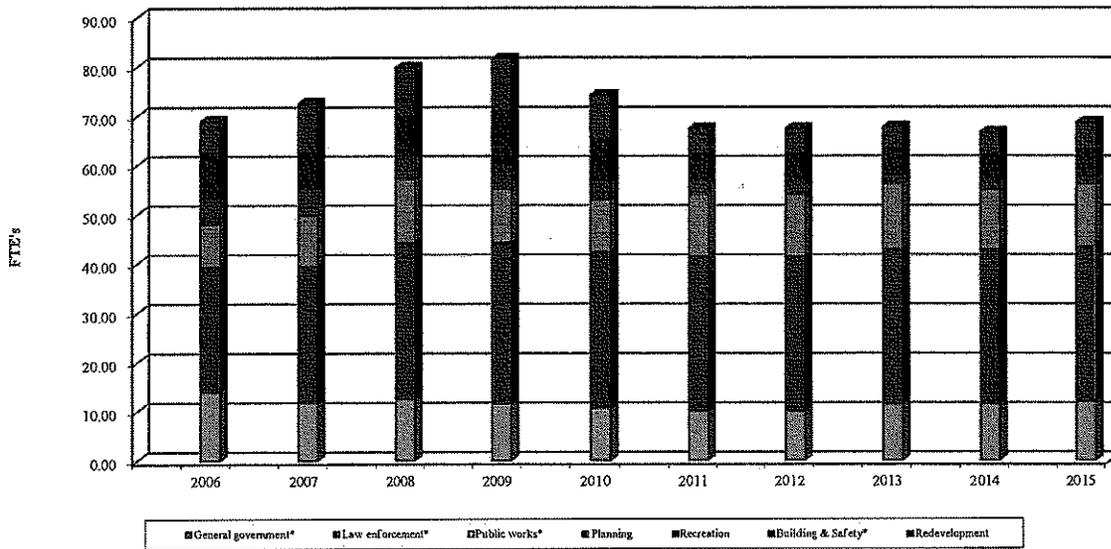
| <u>Employer</u>                         | <u>2014-15</u>             |             |  | <u>2005-2006</u>           |             |  |
|---|----------------------------|-------------|--|----------------------------|-------------|--|
|   | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Oakley Union Elementary School District | 438                        | 1           | 20.5%                                      |                            |             |  |
| Diamond Hills Sports Club and Spa       | 55                         | 2           | 2.6%                                       |                            |             |  |
| Lucky's                                 | 54                         | 3           | 2.5%                                       |                            |             |  |
| Raley's                                 | 51                         | 4           | 2.4%                                       | 53                         | 2           | 3.7%                                       |
| Continente Nut LLC                      | 42                         | 5           | 2.0%                                       | 40                         | 3           | 2.8%                                       |
| Foundation Constructors                 | 32                         | 6           | 1.5%                                       | 21                         | 10          | 1.5%                                       |
| Ironhouse Sanitary                      | 32                         | 6           | 1.5%                                       |                            |             |  |
| Delta Black Bear Diner                  | 31                         | 7           | 1.5%                                       |                            |             |  |
| McDonalds                               | 31                         | 7           | 1.5%                                       | 32                         | 4           | 2.2%                                       |
| Rain for Rent                           | 28                         | 8           | 1.3%                                       | 22                         | 8           | 1.5%                                       |
| Oakley Ace Hardware                     | 26                         | 9           | 1.2%                                       |                            |             |  |
| Round Table Pizza                       | 25                         | 10          | 1.2%                                       |                            |             |  |
| BMS Investments, LLC DBA Comfort Suites | 25                         | 10          | 1.2%                                       |                            |             |  |
| Jack in the Box 578                     | 25                         | 10          | 1.2%                                       |                            |             |  |
| Albertsons                              |                            |             |  | 105                        | 1           | 7.3%                                       |
| Comfort Inn                             |                            |             |  | 25                         | 5           | 1.7%                                       |
| Burger King                             |                            |             |  | 25                         | 6           | 1.7%                                       |
| Centromart                              |                            |             |  | 23                         | 7           | 1.6%                                       |
| Rivera Company                          |                            |             |  | 22                         | 9           | 1.5%                                       |
| Subtotal                                | <u>895</u>                 |             | <u>41.9%</u>                               | <u>368</u>                 |             | <u>25.6%</u>                               |
| Total City Day Population (A)           | <u>2,137</u>               |             |  | <u>1,439</u>               |             |  |

Source: City of Oakley Finance Department - Business Licenses

Notes:

(A) 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,**

|                        | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Function</b>        |              |              |              |              |              |              |              |              |              |              |
| General government*    | 14.00        | 11.75        | 12.50        | 11.50        | 10.65        | 10.00        | 10.00        | 11.45        | 11.46        | 12.08        |
| Community development: |              |              |              |              |              |              |              |              |              |              |
| Public works*          | 8.50         | 10.20        | 12.80        | 10.80        | 10.50        | 12.50        | 12.50        | 13.13        | 11.88        | 12.46        |
| Planning               | 5.40         | 5.60         | 4.70         | 4.70         | 4.00         | 3.00         | 3.00         | 2.00         | 2.00         | 1.75         |
| Building & Safety*     | 5.00         | 7.80         | 8.00         | 8.50         | 7.10         | 4.05         | 4.05         | 4.30         | 4.45         | 5.50         |
| Redevelopment          | 1.50         | 2.25         | 2.00         | 2.00         | 2.00         | 1.00         | 1.00         | 0.00         | 0.00         | 0.00         |
| Law enforcement*       | 25.50        | 27.70        | 31.75        | 32.75        | 31.75        | 31.48        | 31.48        | 31.48        | 31.48        | 31.48        |
| Recreation             | 9.00         | 7.25         | 8.00         | 11.25        | 8.20         | 5.37         | 5.37         | 5.37         | 5.37         | 5.37         |
| <b>Total</b>           | <u>68.90</u> | <u>72.55</u> | <u>79.75</u> | <u>81.50</u> | <u>74.20</u> | <u>67.40</u> | <u>67.40</u> | <u>67.73</u> | <u>66.64</u> | <u>68.64</u> |

**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 |          |           |       |       |        |        |        |        |        |
|------------------------------------|-------------|----------|-----------|-------|-------|--------|--------|--------|--------|--------|
|                                    | 2006        | 2007     | 2008      | 2009  | 2010  | 2011   | 2012   | 2013   | 2014   | 2015   |
| <b>Law enforcement:</b>            |             |          |           |       |       |        |        |        |        |        |
| Police (a) (b):                    |             |          |           |       |       |        |        |        |        |        |
| Violent crimes                     | 72          | 95       | 117       | 77    | 49    | 80     | 79     | 85     | 54     | 46     |
| Property crimes                    | 686         | 763      | 738       | 693   | 483   | 531    | 526    | 477    | 468    | 429    |
| <b>Public Works:</b>               |             |          |           |       |       |        |        |        |        |        |
| Street resurfacing (miles)         | 4.10        | 0.00 (c) | 10.80 (c) | 10.00 | 10.00 | 8.00   | 5.40   | 0.72   | 1.54   | 8.62   |
| <b>Leisure Services:</b>           |             |          |           |       |       |        |        |        |        |        |
| Recreation:                        |             |          |           |       |       |        |        |        |        |        |
| Recreation activities participants | 7,000       | 8,050    | 9,940     | 9,700 | 9,700 | 11,500 | 13,300 | 16,486 | 22,663 | 29,630 |

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.

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

| Function/Program           | Fiscal Year |        |        |        |        |        |        |        |        |        |
|----------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                            | 2006        | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   |
| <b>Law enforcement:</b>    |             |        |        |        |        |        |        |        |        |        |
| Police stations            | 1           | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Police patrol vehicles     | 25          | 27     | 27     | 27     | 27     | 27     | 26     | 29     | 25     | 26     |
| <b>Public works:</b>       |             |        |        |        |        |        |        |        |        |        |
| Miles of streets           | 100.00      | 102.00 | 116.00 | 116.50 | 116.50 | 119.50 | 127.70 | 129.12 | 131.00 | 131.00 |
| Street lights              | 1,708       | 1,782  | 1,915  | 2,047  | 2,047  | 2,347  | 2,794  | 3,032  | 3,050  | 3,050  |
| Traffic Signals            | 5           | 5      | 11     | 17     | 17     | 17     | 32     | 33     | 33     | 33     |
| <b>Recreation:</b>         |             |        |        |        |        |        |        |        |        |        |
| <b>Community services:</b> |             |        |        |        |        |        |        |        |        |        |
| City parks                 | 16          | 16     | 29     | 29     | 29     | 29     | 29     | 29     | 30     | 31     |
| City parks acreage         | 77.1        | 77.1   | 90.0   | 90.0   | 90.0   | 90.0   | 96.0   | 98.0   | 101.5  | 102.5  |
| Community centers          | 1           | 1      | 1      | 1      | 1      | 2      | 2      | 2      | 2      | 2      |
| Baseball/softball diamonds | 1           | 1      | 1      | 8      | 8      | 8      | 8      | 8      | 8      | 8      |
| Soccer/football fields     | 1           | 1      | 1      | 7      | 7      | 7      | 7      | 7      | 7      | 7      |
| Skate features             | 0           | 0      | 0      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| BMX dirt track             | 0           | 0      | 0      | 1      | 1      | 1      | 1      | 1      | 1      | 0      |

Source: City of Oakley

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**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES FOR  
COMPLIANCE WITH THE PROPOSITION 111  
2014-2015 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, 2015. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B 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 2014-2015 Appropriations Limit of \$8,955,217 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 2014-2015 Appropriations Limit by multiplying the 2013-2014 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.

*Maze & Associates*

Pleasant Hill, California  
June 2, 2015

**Accountancy Corporation**  
3478 Buskirk Avenue, Suite 215  
Pleasant Hill, CA 94523

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W mazeassociates.com

**CITY OF OAKLEY**  
**MEMORANDUM ON INTERNAL CONTROL**  
**AND**  
**REQUIRED COMMUNICATIONS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

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CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2015

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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 as of and for the year ended June 30, 2015, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist and that were not identified. 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.

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. 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control included on the Schedule of Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management'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.

Pleasant Hill, California  
November 23, 2015

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**CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF SIGNIFICANT DEFICIENCIES**

**2015-01      Reconciling Beginning Fund Balance to the Prior Year Financial Statements**

The beginning fund equity of the City's funds should agree to the balances in the prior year financial statements and only be adjusted for the implementation of new accounting pronouncements or to correct errors in prior year reported information. When we received the initial general ledger from the City, beginning fund balance of certain funds did not agree to the prior year financial statements. However, the adjustments to the beginning fund balance of these funds were not the result of the correction of reporting errors; they were due to errors in recording current year transactions as follows:

- General Fund and Successor Agency Private Purpose Trust Fund - \$1,176,195
  - The current year transfer of a loan receivable from the Successor Agency recorded as an asset in the General Fund had also been recorded as an adjustment to beginning fund balance in both funds.
  
- Traffic Impact Fees Special Revenue Fund - \$36,165
  - The current year issuance of a loan receivable recorded as an asset in the fund had also been recorded as an expenditure, which affected beginning fund balance.
  
- Measure J Special Revenue Fund - \$8,445
  - Current year expenditure transactions were recorded directly to unassigned fund balance accounts, rather than applicable expenditure accounts, which affected beginning fund balance.

We understand City staff posted the entries directly to the associated fund balance reserves and did not realize that the entries needed to be recorded in the revenue or expenditure accounts as well, because the items were transfers between balance sheet accounts.

In the future, the City should establish a procedure for reviewing beginning fund balances after all year end closing entries have been posted to ensure that they agree to the prior year financial statements.

***Management's Response:***

Staff will include the review of beginning fund balances as part of the year-end procedures.

**CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF SIGNIFICANT DEFICIENCIES**

**2015-02      Timely Journal Entry Postings**

Journal entries should be prepared and reviewed in a timely manner for the period in which the activity occurred, in order to keep accounts up to date with the current information.

During our testing of internal controls over journal entry process, we noted that 12 out of 40 journal entries tested were posted several months after the periods the entries were intended to adjust. The journal entries included the following types and the length of the delay in months in parentheses:

- Interfund charges (one)
- Payroll and employee benefits (three)
- Bank reconciliation transactions and account transfers (two)
- Allocation of fixed budget charges for non-departmental shared expenses (two)
- Long-term debt activity (two entries – two and four months)
- Reverse prior year-end accruals (four)
- Record administrative impact fees (three)

Posting entries several months after the activity occurred results in the general ledger balances being out of date, interim reports that do not include current data and the potential for undetected errors to occur and not be corrected in a timely manner.

We understand the staff responsible for preparing and posting journal entries was involved in the closing of the prior year books and preparing for the issuance of the fiscal year 2014 financial statements, which delayed the posting of activity during fiscal year 2015. And, due to the small number of Finance staff, the staff person is the only person who prepares and post journal entries. We also understand that the delay in posting the entries was acknowledged by the former Finance Director as he established the priorities for the accounting staff's work.

The City should develop procedures to ensure all journal entries are posted in a timely manner to ensure that the financial records are current during each reporting period in the fiscal year and reduce the chance of undetected errors.

***Management's Response:***

We are aware that all JE's are not prepared and posted timely. In keeping with the City's lean approach to staffing, we accept that throughout the year at various times other projects will take priority; and that later we'll need to catch up. We added another part time accounting assistant; and it's possible this may help some --but the add was mostly to compensate for the combination of the new Finance Director's transition now, and the addition of Police Department in-house next Spring.

CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

**2015-03      Investment Policy - Inclusion of Independent Auditors as Internal Control Component**

The City's internal control policies and procedures, including those over investments, should not include the work performed by the external auditors.

During the review of the City's fiscal year 2014-15 Investment Policy, we noted that Section 13, Internal Control, states "As a part of the annual audit of the City Financial Statements, the external Auditor performs an assessment of internal controls, a part of which includes determining whether the City's investments are being managed in accordance with this Statement of Investment Policy. Material non-compliance will be reported to the City Council by the Auditor. As long as this assessment is performed as a routine part of the annual audit, such procedures shall be sufficient to monitor the City's compliance with this policy."

By including this statement in the Policy, the City appears to mandate to the external auditors what audit procedures should be performed and appears to intend to rely upon the external auditors to perform a portion of the monitoring procedures of the City's internal controls.

An Investment Policy can be an effective tool as part of the City's internal control policies and procedures. Therefore, the City should update the Investment Policy to remove the statement mandating that the external auditors verify the City's compliance with its Investment Policy and instead include internal monitoring policies and procedures.

***Management's Response:***

The paragraph mentioning the external auditors was removed in adopting the 2015-16 Investment Policy in early July.

**2015-04      Single Audit - Uniform Guidance**

The Office of Management and Budget (OMB) is streamlining the Federal government's guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards. The final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidances); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up, and is referred to as the Uniform Guidance.

The Uniform Guidance consolidates the guidance previously contained in the aforementioned citations into a streamlined format that aims to improve both the clarity and accessibility. The final guidance is located in Title 2 of the Code of Federal Regulations.

This final guidance does not broaden the scope of applicability from existing government-wide requirements affecting Federal awards to non-Federal entities including state and local governments, Indian tribes, institutions of higher education, and nonprofit organizations. The guidance is intended to provide a government-wide framework for grants management which will be complemented by additional efforts to strengthen program outcomes through innovative and effective use of grant-making models, performance metrics, and evaluation.

**CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**2015-04      Single Audit - Uniform Guidance (Continued)**

In addition to revisions to the administrative requirements for federal grants, the threshold for a Single Audit was increased to federal award expenditures of \$750,000 or more during the fiscal year.

The Uniform Guidance is effective for Federal agencies beginning December 26, 2013 and applicable for non-Federal entities beginning on or after December 26, 2014 (fiscal year 2016). However, the administrative provisions of the Uniform Guidance are effective for grants with federal award dates of December 26, 2014 or later.

City staff should review each grant award date to determine which the administrative requirements are applicable to each of the City's federal grants and ensure procedures are in place to comply with the provisions applicable to each grant.

***Management's Response:***

Agreed. Staff will review each grant and ensure procedures are in place to comply with grant requirements.

**2015-05      AB1248 – State's Internal Control Guidelines**

AB1248 added Government Code Section 12422.5 which required the State Controller's Office to develop internal control guidelines applicable to each local agency. The intent of the legislation is to assist local agencies in establishing a system of internal control to safeguard assets and prevent and detect financial errors and fraud. However, there is no requirement that the tools developed must be used in the form provided.

City staff should consider reviewing the 2015 Internal Control Guidelines for California Local Agencies as a tool to evaluate the design and function of the City's internal control structure. The 2015 Guidelines are available on the State's website.

In addition, the State Controller's Office intends to update the Guidelines periodically, so the Guidelines should be reviewed periodically to determine if any significant revisions were made that could impact the City's internal control policies or procedures.

***Management's Response:***

Staff has reviewed the State Controller's Internal Control Guidelines and has attended a webinar on implementing the new guidelines through California State Municipal Finance Officers. Staff will continue to review the Guidelines periodically.

**CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL**

**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 it here to keep you informed of developments:

**EFFECTIVE FISCAL 2015/16:**

**GASB 72 – Fair Value Measurement and Application**

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**Fair Value Measurement**

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

To determine a fair value measurement, a government should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. For example, the unit of account for investments held in a brokerage account is each individual security, whereas the unit of account for an investment in a mutual fund is each share in the mutual fund held by a government.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**GASB 72 – Fair Value Measurement and Application (Continued)**

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

A fair value measurement takes into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, a government should be able to use the fair value of that asset to measure the fair value of the liability.

This Statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. It also requires identification of transactions that are not orderly. Quoted prices provided by third parties are permitted, as long as a government determines that those quoted prices are developed in accordance with the provisions of this Statement.

**Fair Value Application**

This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

**Fair Value Disclosures**

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

**GASB 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

Issued in June 2015, the objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

***How the Changes in This Statement Improve Financial Reporting***

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

**EFFECTIVE FISCAL 2016/17:**

**GASB 77 - *Tax Abatement Disclosures***

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues.

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**CITY OF OAKLEY  
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR  
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.

***Current Status:***

Implemented during the Mid-Year Budget Report. New Section and Policy Update will be included in the 2015-16 Budget Financial Policies review.

**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**

**STATUS OF PRIOR YEAR  
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.

**Update for June 30, 2015:** During the fiscal year 2015 audit, we again noted that closing and post-closing entries related to capital assets and long-term debt were recorded in the Successor Agency Fund as if it were a governmental fund. If City staff wishes to continue to use the modified accrual basis of accounting during the fiscal year as noted above, then closing entries must be posted to the general ledger to convert the fund to full accrual accounting before it is provided to audit.

***Current Status:***

Not implemented. 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.

***Current Status:***

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

STATUS OF PRIOR YEAR  
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.

***Current Status:***

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.

Policy will be updated when we adopt the FY 2016-17 Investment Policy in July.

**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.

***Current Status:***

Implemented. Report was adopted and is on the City's website (Financial Documents page).

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 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**

**STATUS OF PRIOR YEAR  
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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## 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, 2015 and have issued our report thereon dated November 23, 2015. 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 are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

#### **GASB Statement No. 68 – Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27**

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

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.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The pronouncement became effective, and as disclosed in Note 10D to the financial statements required a prior period adjustment for the cumulative effect on the financial statements.

**GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68**

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

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

The pronouncement became effective, and as disclosed in Note 10D to the financial statements required a prior period adjustment for the cumulative effect on the financial statements.

***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 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 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 the 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. and the land associated with the restaurant's building was transferred from the Successor Agency to the City.

After the transfer of funds from the City to the Successor Agency, the Successor Agency remitted \$1,418,284 to the County Auditor-Controller that represented 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 from the Successor Agency of the housing related advance to the former Redevelopment Agency discussed in Note 15A to the financial statements, and will not seek payment from the Successor Agency for City administration of certain housing programs.

### *Accounting 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 estimates affecting the City's financial statements were:

*Estimated Fair Value of Investments:* As of June 30, 2015, the City held approximately \$40.2 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, 2015. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2015.

*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.

*Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 11 to the financial statements and are based on accounting valuations determined by the California Public Employees Retirement System, which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimates and determined that they are 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, litigation and settlement 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 correct the beginning fund balance of the General Fund and Successor Agency Private Purpose Trust Fund as discussed in comment 2015-01 of the Memorandum on Internal Control, 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 to post 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 November 23, 2015.

### ***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 City'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**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanying the financial statements but are not required supplementary information. With respect to this supplementary information, 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.

We were not engaged to report on the Introductory and Statistical Sections included as part of the Comprehensive Annual Financial Report but are not required supplementary information. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

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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.

*May & Associates*

Pleasant Hill, California  
November 23, 2015