

City of Piedmont
COUNCIL AGENDA REPORT

DATE: February 16, 2016
TO: Mayor and Council
FROM: Paul Benoit, City Administrator
SUBJECT: 2014-15 Audited Financial Statements

RECOMMENDATION

Review and accept the City's independent auditor's reports for 2014-15:

- a. Annual Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015.
- b. Measure B Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015.
- c. Measure BB Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015.
- d. Measure F Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015.
- e. Appropriations Limit Calculation as of June 30, 2016.
- f. Auditor's Letter on Compliance and Internal Control.
- g. Letter Communicating with Those Charged with Governance.

BACKGROUND

The City's independent auditor, Mann-Urrutia-Nelson CPAs & Associates, LLP (MUN), has completed the audit of the City's financial statements and provided auditor's reports for the fiscal year ended June 30, 2015. The Finance Department is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

The Annual Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015 contains a number of sections. These include the Independent Auditor's Report, Management's Discussion and Analysis, individual financial statements, Notes to the Basic Financial Statements, and the Required Supplemental Information. The audit partner from MUN will be present at the February 16, 2016 City Council meeting to present the audit and answer any questions.

DISCUSSION

The auditor completed audits of the City's general financial statements and the Measure B, Measure BB, and Measure F sales tax special revenues. The audits found no exception to conformance with generally accepted accounting principles and the standards applicable to

financial audits contained in the Government Auditing Standards issued by the Comptroller General.

MUN found the general purpose financial statements present fairly, in all material ways, the City's financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2015. The audited financial statements include the statement of net position, statement of activities and changes in net position, balance sheets, statements of revenues, expenditures, and changes in fund balances, and statements of cash flows.

In summary, the City received a clean audit opinion, with no material weaknesses, no significant deficiencies, nor any compliance exceptions. For an overview of the Annual Financial Statements and Independent Auditor's Report, see the Management's Discussion and Analysis beginning on page 3 of the report.

By: Jim O'Leary, Interim Finance Director

Attachments:

- A. Annual Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015
- B. Measure B Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015
- C. Measure BB Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015
- D. Measure F Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2015
- E. Appropriations Limit Calculation as of June 30, 2016
- F. Auditor's Letter on Compliance and Internal Control
- G. Letter Communicating with Those Charged with Governance



Annual Financial Statements
And Independent Auditor's Report

For the Year Ended
June 30, 2015



CITY OF PIEDMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

INDEPENDENT AUDITOR'S REPORT

To the City Council of
the City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter*Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, pension related schedules, and the schedules of funding progress 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 of Piedmont's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, on our consideration of the City of Piedmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Piedmont's internal control over financial reporting and compliance.

Sacramento, California
January 26, 2016

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The Management's Discussion and Analysis (MD&A) provides an overview of the City of Piedmont's activities and financial performance for the fiscal year ended June 30, 2015. To obtain a complete picture of the City's financial condition, this narrative overview and analysis should be read in conjunction with the accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Government-wide

- Net position is defined as the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources. As of June 30, 2015, the City's government-wide net position amounted to a positive balance of \$24,616,583. This represents an increase of \$3,898,101 from the June 30, 2014 balance of \$20,718,482 after recording a prior period adjustment of \$(15,667,559) related to implementing pension accounting change required by GASB No. 68 and No. 71. GASB 68. The new accounting standards required the City to record net pension liability with CalPERS, offset partially by the net pension asset in the Piedmont Police and Fire Pension Plan.
 - Governmental activities of \$15,010,701 and accounts for 61% of total net position.
 - Business-type activities of \$9,605,882 and accounts for 39% of total net position.
- Deferred Outflows of Resources represent consumption of net position or fund balance that applies to a future period. The \$1,915,441 in Deferred Outflows of Resources represents contribution payments made to CalPERS during the fiscal year. As allowed by GASB No. 68, CalPERS actuarial data is as of June 30, 2014 and contributions are reflected as a deferred outflow. Deferred Inflows of Resources represent an acquisition of net position or fund balance that applies to a future period amounting to \$9,583,496. The Deferred Outflows represent the amortization of investment earnings. As of June 30, 2014, CalPERS had a rate of return of 18%, but GASB No. 68 requires the City to amortize gains/losses over a 5-year period. Notes 1, 7, and 15 discuss the impacts of these extraordinary changes to net position.
- Net position increased by \$3,898,101 due to the following factors:
 - Net investment in capital assets increased \$1,141,085 to \$35,495,778 due to the following:
 - Governmental activities increased by \$713,831 due to vehicle and equipment purchases for public safety and park facility improvements
 - Business-type activities increased \$427,254 due to net additions to the sewer infrastructure and repayment of the State of California Water Resources Board Loans for \$406,032 and \$439,345, respectively and offset by depreciation.
 - Unrestricted net position decreased by \$12,820,628 to \$(12,350,764) due to the following:
 - The City implementing GASB No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, as a prior-period adjustment. The net position reflects a decrease in the net position as the City reflects recording the pension liability in the prior-period adjustment of \$15,667,559.
 - In the prior year, the City issued \$7,305,000 Tax Allocation Bonds with voter approval to refinance the outstanding fund liability to the California Public Employees' Retirement System (CalPERS) for its Safety and Miscellaneous Plans and will save the City \$1,188,099 over a seven year period.
 - Property tax-related revenues representing 60% of governmental activity revenue and increasing \$638,681 to \$16,394,532.
 - Property tax revenues amounted to \$10,846,057 an increase of \$697,447 (7%).
 - Real property transfer tax revenues amounted to \$3,901,252, a decrease of \$99,760 (2%), but represents the second highest year in City history.
 - As of June 30, 2015, capital assets, net of depreciation, amount to \$40,733,548 are reported in the Statement of Net Position.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Fund level

- Governmental fund balances increased \$179,213 to \$12,056,968. Of this amount, the unassigned fund balance was \$4,614,190, an increase of \$124,340 from the prior year.
- Enterprise fund net position increased \$273,291 to \$9,605,882. Of this amount, net investment in capital assets totaled \$9,121,344, an increase of \$427,254 from the prior year.

Fiduciary funds

- The trust funds net position increased \$1,103,257 to \$17,175,819. The trust funds represent the police and fire pension plan and OPEB for \$11,645,257 and \$5,530,562, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include administration, public works, public safety, and recreation. The business-type activities of the City include sewer and aquatics. The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund Financial Statements

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

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Governmental funds

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

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

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund. The City also reports the Equipment Replacement & Facilities Maintenance fund as a major fund. Data for these funds are also presented separately. Data from the other eleven governmental funds are combined and aggregated on the above mentioned statements. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 - 19 of the report.

Proprietary funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Piedmont uses an enterprise fund to account for its sewer and aquatic activity. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Piedmont's various functions. The City uses internal service funds to account for activities such as insurance and employee benefits. The Sewer and Aquatic Funds are included within the *business-type activities* and Internal Service Funds have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the City's business-type activities, the Sewer and Aquatic Enterprise Funds. The City's three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 23 of this report.

Fiduciary funds

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

The basic fiduciary fund financial statements can be found on pages 24 - 25 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 60 of this report.

Required Supplementary Information

This report presents supplementary information concerning the City of Piedmont's progress in its obligation to provide pension and other postemployment benefits to its employees, and budgetary comparison information for the City's general fund and major special revenue funds.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of budgetary comparison schedule for the General Fund. Required supplementary information can be found on pages 61 - 66 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 68 - 88 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Piedmont, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,616,583 at the close of the most recent year.

This fiscal year the City implemented GASB No. 68, *Accounting and Financial Reporting for Pension*. GASB No. 68 has a material impact on the City's financial statements, since it sets new standards for measuring and recognizing assets, liabilities, and impact to net position, as well as, expands the note disclosures regarding the City's pension systems. Unlike previous years, GASB No. 68 requires the City to include pension assets of the Police & Fire Pension Trust and the liabilities of the City's CalPERS pension in the financial statements. The impact is shown in the negative unrestricted net position in the table below.

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

Statement of Net Position
As of June 30, 2015 and 2014
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Government</u>		
	<u>2015</u>	<u>2014 As Previously Reported</u>	<u>Net Change</u>	<u>2015</u>	<u>2014</u>	<u>Net Change</u>	<u>2015</u>	<u>2014 As Previously Reported</u>	<u>Net Change</u>
ASSETS									
Current and other assets	\$ 17,197	\$ 17,143	\$ 54	\$ 1,028	\$ 938	\$ 90	\$ 18,225	\$ 18,081	\$ 144
Noncurrent assets	<u>35,475</u>	<u>25,661</u>	<u>9,814</u>	<u>14,359</u>	<u>14,371</u>	<u>(12)</u>	<u>49,834</u>	<u>40,032</u>	<u>9,802</u>
Total Assets	<u>52,672</u>	<u>42,804</u>	<u>9,868</u>	<u>15,387</u>	<u>15,309</u>	<u>78</u>	<u>68,059</u>	<u>58,113</u>	<u>9,946</u>
Deferred Outflows of Resources	<u>1,915</u>	<u>-</u>	<u>1,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,915</u>	<u>-</u>	<u>1,915</u>
LIABILITIES									
Long-term liabilities	25,786	11,187	14,599	4,789	5,238	(449)	30,575	16,425	14,150
Other liabilities	<u>4,208</u>	<u>4,564</u>	<u>(356)</u>	<u>992</u>	<u>739</u>	<u>253</u>	<u>5,200</u>	<u>5,303</u>	<u>(103)</u>
Total Liabilities	<u>29,994</u>	<u>15,751</u>	<u>14,243</u>	<u>5,781</u>	<u>5,977</u>	<u>(196)</u>	<u>35,775</u>	<u>21,728</u>	<u>14,047</u>
Deferred Inflows of Resources	<u>9,583</u>	<u>-</u>	<u>9,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,583</u>	<u>-</u>	<u>9,583</u>
NET POSITION									
Net investment in capital assets	26,374	25,661	713	9,121	8,694	427	35,496	34,355	1,141
Restricted	1,472	1,423	49	-	-	-	1,472	1,423	49
Unrestricted	<u>(12,835)</u>	<u>(31)</u>	<u>(12,804)</u>	<u>485</u>	<u>639</u>	<u>(154)</u>	<u>(12,350)</u>	<u>608</u>	<u>(12,958)</u>
Total Net Position	<u>\$ 15,011</u>	<u>\$ 27,053</u>	<u>\$ (12,042)</u>	<u>\$ 9,606</u>	<u>\$ 9,333</u>	<u>\$ 273</u>	<u>\$ 24,618</u>	<u>\$ 36,386</u>	<u>\$ (11,768)</u>

At the end of the fiscal year, the City is able to report a positive net position for Governmental and Business-type Activities and as a whole. The change in net position is mentioned in the financial highlight section above.

Governmental activities. On a full-accrual basis, governmental activities increased the City's change in net position by \$3,624,810 primarily due to the refinancing of the CalPERS side funds that is reflected by the payment of \$7,321,984 and partially offset by improved property transfer tax revenue totaling \$4,001,012.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Business-type activities. Business-type activities increased the City's net position by \$273,291 primarily due to the capital additions to the sewer system.

Changes in Net Position
For the Years Ended June 30, 2015 and 2014
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>Net Change</u>	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
REVENUES:						
Program revenues						
Charges for services	\$ 4,674	\$ 4,274	\$ 400	\$ 2,797	\$ 2,773	\$ 24
Operating grants and contributions	1,257	1,185	72	-	-	-
Capital grants and contributions	32	105	(73)	-	-	-
General revenues						
Taxes and fees	19,841	19,156	685	-	-	-
Investment earnings	27	22	5	5	4	1
Other revenue	708	607	101	-	-	-
Transfers	<u>665</u>	<u>740</u>	<u>(75)</u>	<u>(665)</u>	<u>(740)</u>	<u>75</u>
Total Revenues	<u>27,204</u>	<u>26,089</u>	<u>1,115</u>	<u>2,137</u>	<u>2,037</u>	<u>100</u>
EXPENSES:						
Administration	2,241	2,558	(317)	-	-	-
Public works	4,629	4,815	(186)	-	-	-
Street improvement	370	651	(281)	-	-	-
Safety: police	5,308	5,358	(50)	-	-	-
Safety: fire	4,552	5,070	(518)	-	-	-
Recreation	3,380	3,508	(128)	-	-	-
Nondepartmental	2,912	9,529	(6,617)	-	-	-
Interest	188	-	188	-	-	-
Sewer	-	-	-	1,226	1,030	196
Aquatics	<u>-</u>	<u>-</u>	<u>-</u>	<u>637</u>	<u>649</u>	<u>(12)</u>
Total Expenses	<u>23,580</u>	<u>31,489</u>	<u>(7,909)</u>	<u>1,863</u>	<u>1,679</u>	<u>(7,909)</u>
Change in net position	<u>3,624</u>	<u>(5,400)</u>	<u>9,024</u>	<u>274</u>	<u>358</u>	<u>(84)</u>
Net position - beginning	27,053	32,453	(5,400)	9,333	8,975	358
Restatement	<u>(15,668)</u>	<u>-</u>	<u>(15,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - beginning restated	<u>11,385</u>	<u>32,453</u>	<u>(21,068)</u>	<u>9,333</u>	<u>8,975</u>	<u>358</u>
Net position - ending	<u>\$ 15,009</u>	<u>\$ 27,053</u>	<u>\$ (12,044)</u>	<u>\$ 9,607</u>	<u>\$ 9,333</u>	<u>\$ 274</u>

Governmental Activities. On a full accrual basis, governmental activities increased the City of Piedmont's net position by \$3,624,810 primarily due to the refinancing of the City's CalPERS side funds which is reflected by the \$7,321,984 payment and partially offset by the improved property transfer tax of \$4,001,012.

Business-type Activities. Business-type activities increased the City of Piedmont's net position by \$273,291 primarily due to the capital additions of the sewer system.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Financial Analysis of the Government's Funds

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

Governmental funds.

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

As of the end of the current fiscal year, the City of Piedmont's governmental funds reported combined ending fund balances of \$12,056,968, an increase of \$179,213 compared with the prior year. A total of \$4,614,190, approximately 38%, constitutes unassigned General Fund balance.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance and unassigned fund balance of the General Fund were \$4,912,071 and \$4,614,190, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both total fund balance and unassigned fund balance to total fund expenditures. Total fund balance and unassigned fund balance are 22% and 21% of total General Fund expenditures, respectively. During the current fiscal year, the fund balance of the City's general fund increased by \$208,754.

General Fund revenues of \$24,414,522 increased \$1,105,264 from prior year due to improved property tax revenues, use of money and property, and revenue from other agencies. Property tax revenues of \$10,846,057 increased \$697,447 due to rising assessed value from home sales and consumer price index. Use of money and property of \$548,042 increased \$122,941 based on Community Hall rental income increasing \$118,911 from the prior year. Finally, the City received \$64,438 in State reimbursements relating to assisting CAL OES Fire and Rescue at the Lodge Complex Fire due to the added overtime incurred. The other reimbursement is from the State for \$87,199 for complying with state mandates for costs incurred prior to 2004.

The City continued to have a strong real estate market as real property transfer tax revenues significantly increased. Real property transfer tax had the second best year in history with revenues of \$3,901,252, a slight decrease of \$99,760 from the prior year. The table below shows the number of homes sold and the average sales price for the last seven fiscal years:

<u>Fiscal Year</u>	<u># Sold</u>	<u>Average Sales Price</u>	<u>Real Property Transfer Tax</u>
2007-08	95	\$1,486,625	\$1,973,888
2008-09	99	\$1,376,505	\$1,711,738
2009-10	100	\$1,421,017	\$1,843,651
2010-11	151	\$1,312,972	\$2,628,921
2011-12	148	\$1,341,700	\$2,700,925
2012-13	155	\$1,582,243	\$3,186,001
2013-14	168	\$1,839,248	\$4,001,012
2014-15	154	\$1,971,270	\$3,901,252

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

General fund expenditures of \$25,378,747 increased \$1,117,839 from the prior year. The largest increase relates to the first full year payment related to the 2014 Taxable Pension Obligation Bonds refinancing the CalPERS Side Fund Obligation. Other changes in General Fund department expenditures include:

- Administration:
 - \$67,000 decrease due to lower election expenses since prior year had standalone election while this year was county wide.
 - \$98,000 decrease due to lower legal expenditures resulting from fixed contract with City Attorney and fees related to undergrounding were lower than in the previous year.
 - \$74,000 decrease due to shifting CalPERS Employer Paid Member Contributions to employees.
- Public Works
 - \$150,000 decrease since sanitary sewer costs are no longer reflected in General Fund for 2014-15 and is accounted for in the Sewer Fund.
- Recreation
 - \$119,000 decrease with a shift of responsibility for the facility maintenance fund to the Public Works Department from the Recreation Department.
- Police
 - \$187,000 increase due to being fully staffed, higher costs related to training one of the Department's part-time employee to tracking evidence and records management. Overtime is higher as new hires require training time and the related backfill with other officers.
 - \$60,000 increase related to higher contact costs for crossing guards with the new minimum wage, payment to the City of Oakland for radio services, and the New World upgrade and training.
- Fire
 - No real material change overall, the Department had vacancies in the current fiscal year, offset by lower pension costs due to new hires being in new tiers.
- Non-Departmental and Transfers
 - Increase due to 12-months of Pension Obligation Bond debt payments from a total of \$101,000 (one month) in prior fiscal year to \$1,200,000 this fiscal year.

Equipment Replacement and Facilities Maintenance Fund

The Equipment Replacement & Facilities Maintenance Fund is used to replace and maintain the capital assets of the City. The fund balance of the Equipment Replacement & Facilities Maintenance Fund increased \$106,919 to \$5,082,817. The City Council authorized additional transfers from the General Fund to the Equipment Replacement & Facilities Maintenance Fund of \$1,203,750 to fund necessary future capital needs due to another historic property transfer tax the City received this fiscal year. The significant equipment items purchased during the fiscal year was the final payment of \$486,692 for an Aerial Fire Truck, \$99,565 for a dump truck, and \$149,312 to upgrade police computer system. Facilities incurred expenditures include \$253,334 for Beach Playfield Turf Replacement, \$150,000 for Hampton Renovation Plan, \$193,312 for Corporation Yard Pavement, and \$280,761 for facility maintenance and operations.

2014 Taxable Pension Obligations Fund

The 2014 Taxable Pension Obligation Bonds Fund is used to account for the debt service payments. The City issued \$7,305,000 Tax Allocation Bonds with voter approval to refinance the side fund liability to the California Public Employees' Retirement System (CalPERS) for its Safety and Miscellaneous Plans which will save the City \$1,188,099 over a seven-year period. During the fiscal year, the City made a principal payment of \$1,044,000 and the outstanding balance at June 30, 2015 amounts to \$6,177,000.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Three funds comprise the City's proprietary funds: the Sewer Enterprise Fund, Aquatics Enterprise Fund, and the Internal Service Fund

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Sewer Fund

The Sewer Fund is used to account for the sanitary sewer and storm sewer systems of the City. The net position of the Sewer Fund increased \$264,480 to \$9,106,872. This total increase offsets the net capital improvements of the sewer system which increased \$108,167 to \$13,690,255. The unrestricted net position of the Sewer Fund decreased \$184,394 to \$441,350 as the funds are used for sewer maintenance.

The City Council approved a loan to the Sewer Fund for \$800,000 from the Equipment Replacement & Facilities Maintenance Fund. The funds are to assist in the completion of rehabilitating the sewer system to cover up costs related to design documents so that they can be submitted to apply for the State Water Resources Control Board loans to reimburse for design and pay for construction costs.

Aquatics Fund

The Aquatics Fund is used to account for the operations of the Piedmont Community Pool. The net position of the Aquatics Fund increased \$8,811 to \$499,010. The increase is due to contributions from the General Fund and slightly lower operational costs compared to the prior year.

Internal Services Fund

The Internal Services Funds' net position amounted to \$(3,256,224), a deficit decrease of \$7,684 from the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's original budget of \$21,364,738 increased \$1,411,955 to the final amended budget of \$22,776,693. Amount the primary budgetary increases were estimated additional costs for part time recreation staff and overtime for both Fire and Police.

The General Fund's actual expenditures of \$21,953,044 was less than the final amended budget of \$22,776,693. The City saved approximately \$748,000 through vacancies in various departments. The Fire Department had two vacant firefighter positions through part of the fiscal year. The Recreation Department has a vacancy for a Recreation Supervisor and adjusted part time staff based on programs. The City also had savings with lower legal fees due to reduced activity and during the year, fixing the rate for city attorney services. Finally, election expenses were lower than previously estimated by Alameda County.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

The City of Piedmont's total capital assets for its governmental and business-type activities as of June 30, 2015 amount to \$40,733,548 (net of accumulated depreciation). Capital assets include land, construction-in-progress, buildings, equipment, and infrastructure. The major portion of infrastructure includes the pavement, sidewalk, curb, and gutter, parks and underground utility systems of the City, as well as the sewer system. The City's capital assets increased \$701,740 from \$40,031,808 to \$40,733,548.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS (NET OF DEPRECIATION) (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 5,515	\$ 5,515	\$ -	\$ -	\$ 5,515	\$ 5,515
Construction in progress	496	597	213	95	709	692
Buildings & improvements	1,999	1,620	456	477	2,455	2,097
Vehicles	1,949	949	198	258	2,147	1,207
Property and equipment	1,478	1,705	-	-	1,478	1,705
Infrastructure	<u>14,937</u>	<u>15,275</u>	<u>13,492</u>	<u>13,540</u>	<u>28,429</u>	<u>28,815</u>
Total	<u>\$ 26,374</u>	<u>\$ 25,661</u>	<u>\$ 14,359</u>	<u>\$ 14,370</u>	<u>\$ 40,733</u>	<u>\$ 40,031</u>

Additional information on the City of Piedmont's capital assets can be found in Note 4 on pages 42 - 43 of this report.

Governmental Activities Long-term Debt

At the end of the current fiscal year, the City had total long-term outstanding debt of \$11,414,770, a decrease of \$1,483,345 from the prior fiscal year. The City issued Taxable Pension Obligation Bonds (2014 Tax Allocation Bonds) for \$7,305,000 to refinance the City's outstanding side fund liability to the California Public Employees' Retirement System for its Safety and Miscellaneous plans and will save \$1,188,099. The City also has sewer loans outstanding for Phase I, Phase II, Phase III, and Phase IV of the sewer rehabilitation project received from the State of California Water Resources Control Board.

At June 30, 2015, the City's governmental and business-type activities had total long-term debts and obligations as scheduled below.

<u>Type of Indebtedness</u>	<u>Outstanding June 30, 2015</u>	<u>Outstanding June 30, 2014</u>
<u>Governmental Activities</u>		
2014 Tax Allocation Bonds	<u>\$ 6,177,000</u>	<u>\$ 7,221,000</u>
<u>Business-type Activities</u>		
Sewer Loan - Phase I	1,039,382	1,155,981
Sewer Loan - Phase II	1,130,106	1,240,864
Sewer Loan - Phase III	1,413,573	1,536,669
Sewer Loan - Phase IV	<u>1,654,709</u>	<u>1,743,601</u>
Total Business-type Activities	<u>5,237,770</u>	<u>5,677,115</u>
Total Outstanding Debt	<u>\$ 11,414,770</u>	<u>\$ 12,898,115</u>

Additional information about the City's long-term debt can be found in Note 5 on pages 43 - 46 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund

Over 60 percent of the City's general revenue sources are property related. One of the critical sources of General Fund revenue is the parcel tax which was continued this fiscal year through fiscal year 2016-17 with the approval by Piedmont residents in November 2012 election. This represents approximately 7% of General Fund revenues and provides funding to maintain essential services and will be placed on the ballot in 2016 for renewal. Another critical source of General Fund revenue is the real property transfer tax, which is realized when homes are sold. During this fiscal year, real property transfer tax had the second best year in the City's history and represents approximately 16% of General Fund revenues. As these funds are considered one time in nature, the excess was transferred to Other Post-Employment Benefits-Retiree Medical, Workers Compensation, Facilities and Equipment Replacement Funds. Real property transfer tax is an area to be monitored since historically this source will fluctuate as it relates to home sales in Piedmont.

The City's salary and benefit costs represent approximately 70% of the General Fund and the employee agreements from two-years ago provided for salary increases, but required employees to continue contribution to pension and medical costs.

Sewer Fund

On August 4, 2014, the United States Environmental Protection Agency (EPA) issuing a negotiated Consent Decree (CD). The CD is intended to provide an expanded period of time (21 years) to allow the City to rehabilitate the sewer systems in order to substantially reduce the amount of infiltration and inflow (I&I) in the EBMUD system. The City restarted Phase V preliminary work and has completed the 35% design documents and has submitted State Water Resources Control Board (SWRCB) loan documents since the State provides funding with low interest rates. The SWRCB will review the loan in early calendar 2016 and if approved, bidding would occur in the summer with construction beginning in late 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Piedmont 's finances for all those with an interest in the government' s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 120 Vista Avenue, City of Piedmont, California, 94611.

CITY OF PIEDMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 13,007,574	\$ 1,531,438	\$ 14,539,012
Restricted cash and investments (Note 2)	798,972	-	798,972
Taxes receivable	-	-	-
Accounts receivable	2,591,071	151,945	2,743,016
Prepaid expenses	-	144,342	144,342
Internal balances	800,000	(800,000)	-
Capital assets (Note 4):			
Land and construction in progress	6,010,901	213,037	6,223,938
Depreciable, net of accumulated depreciation	<u>20,363,533</u>	<u>14,146,077</u>	<u>34,509,610</u>
Total capital assets	<u>26,374,434</u>	<u>14,359,114</u>	<u>40,733,548</u>
Net pension asset (Note 8):	<u>9,100,220</u>	-	<u>9,100,220</u>
Total Assets	<u>52,672,271</u>	<u>15,386,839</u>	<u>68,059,110</u>
DEFERRED OUTFLOWS OF RESOURCES			
2014-15 pension contributions (Note 7)	1,805,611	-	1,805,611
Changes in the net pension liability (Note 7)	<u>109,830</u>	-	<u>109,830</u>
Total Deferred Outflows of Resources	<u>1,915,441</u>	-	<u>1,915,441</u>
LIABILITIES			
Accounts payable	1,577,181	264,255	1,841,436
Accrued wages and benefits	204,148	38,657	242,805
Accrued interest payable	-	54,702	54,702
Deposit payable	493,322	-	493,322
Unearned revenue	-	185,573	185,573
Compensated absences (Note 5):			
Due within one year	406,438	-	406,438
Due in more than one year	443,752	-	443,752
Claims payable (Note 11):			
Due within one year	349,664	-	349,664
Due in more than one year	786,846	-	786,846
Net OPEB Obligation (Note 9):			
Due in more than one year	4,135,522	-	4,135,522
Long-term liabilities (Note 5):			
Due within one year	1,177,000	448,879	1,625,879
Due in more than one year	5,000,000	4,788,891	9,788,891
Net pension liability (Note 7):			
Due in more than one year	<u>15,419,642</u>	-	<u>15,419,642</u>
Total Liabilities	<u>29,993,515</u>	<u>5,780,957</u>	<u>35,774,472</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in the net pension liability (Note 7)	<u>9,583,496</u>	-	<u>9,583,496</u>
NET POSITION			
Net investment in capital assets	26,374,434	9,121,344	35,495,778
Restricted for:			
Community development	408,900	-	408,900
Public safety	339,792	-	339,792
Street improvement	722,877	-	722,877
Unrestricted	<u>(12,835,302)</u>	<u>484,538</u>	<u>(12,350,764)</u>
Total Net Position	<u>\$ 15,010,701</u>	<u>\$ 9,605,882</u>	<u>\$ 24,616,583</u>

See accompanying notes to the basic financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total Primary Government
PRIMARY GOVERNMENT							
Governmental activities:							
Administration	\$ 2,241,367	\$ 181,170	\$ 12,500	\$ -	\$ (2,047,697)	\$ -	\$ (2,047,697)
Public works	4,628,740	1,034,424	1,063,650	32,428	(2,498,238)	-	(2,498,238)
Street improvement	369,828	-	-	-	(369,828)	-	(369,828)
Public safety: police services	5,308,414	218,827	113,164	-	(4,976,423)	-	(4,976,423)
Public safety: fire services	4,552,218	290,941	64,438	-	(4,196,839)	-	(4,196,839)
Recreation	3,380,160	2,948,365	3,703	-	(428,092)	-	(428,092)
Nondepartmental	2,911,673	-	-	-	(2,911,673)	-	(2,911,673)
Debt interest	187,658	-	-	-	(187,658)	-	(187,658)
Total governmental activities	<u>23,580,058</u>	<u>4,673,727</u>	<u>1,257,455</u>	<u>32,428</u>	<u>(17,616,448)</u>	<u>-</u>	<u>(17,616,448)</u>
Business-type activities:							
Sewer	1,226,336	2,270,835	-	-	-	1,044,499	1,044,499
Aquatic	637,063	525,874	-	-	-	(111,189)	(111,189)
Total business-type activities	<u>1,863,399</u>	<u>2,796,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>933,310</u>	<u>933,310</u>
Total primary government	<u>\$ 25,443,457</u>	<u>\$ 7,470,436</u>	<u>\$ 1,257,455</u>	<u>\$ 32,428</u>	<u>\$ (17,616,448)</u>	<u>\$ 933,310</u>	<u>\$ (16,683,138)</u>
General revenues:							
Taxes:							
Property tax					\$ 10,846,057	\$ -	\$ 10,846,057
Sales tax					260,223	-	260,223
Franchise tax					445,590	-	445,590
Utility users tax					1,141,790	-	1,141,790
Real property transfer tax					3,901,252	-	3,901,252
Business license and rental tax					511,611	-	511,611
Parcel tax					1,647,223	-	1,647,223
Paramedic tax					69,418	-	69,418
Motor vehicle license fee					1,017,941	-	1,017,941
Investment earnings					26,931	5,440	32,371
Other revenues					707,763	-	707,763
Transfers					665,459	(665,459)	-
Total general revenues and transfers					<u>21,241,258</u>	<u>(660,019)</u>	<u>20,581,239</u>
Change in net position					<u>3,624,810</u>	<u>273,291</u>	<u>3,898,101</u>
Net position - July 1, 2014					27,053,450	9,332,591	36,386,041
Prior period adjustment (Note 15)					(15,667,559)	-	(15,667,559)
Net position - July 1, 2014 - restated					<u>11,385,891</u>	<u>9,332,591</u>	<u>20,718,482</u>
Net position - June 30, 2015					<u>\$ 15,010,701</u>	<u>\$ 9,605,882</u>	<u>\$ 24,616,583</u>

CITY OF PIEDMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Equipment Replacement and Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 3,181,294	\$ 4,384,989	\$ 1,938,064	\$ 9,504,347
Restricted cash and investments	798,972	-	-	798,972
Accounts receivable	2,360,550	3,342	227,179	2,591,071
Advances to other funds	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>800,000</u>
Total Assets	<u>\$ 6,340,816</u>	<u>\$ 5,188,331</u>	<u>\$ 2,165,243</u>	<u>\$ 13,694,390</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 741,181	\$ 105,514	\$ 93,257	\$ 939,952
Accrued wages and benefits	194,242	-	9,906	204,148
Deposits payable	<u>493,322</u>	<u>-</u>	<u>-</u>	<u>493,322</u>
Total Liabilities	<u>1,428,745</u>	<u>105,514</u>	<u>103,163</u>	<u>1,637,422</u>
FUND BALANCES				
Restricted	297,881	-	1,173,688	1,471,569
Assigned	-	5,082,817	888,392	5,971,209
Unassigned	<u>4,614,190</u>	<u>-</u>	<u>-</u>	<u>4,614,190</u>
Total Fund Balances	<u>4,912,071</u>	<u>5,082,817</u>	<u>2,062,080</u>	<u>12,056,968</u>
Total Liabilities and Fund Balances	<u>\$ 6,340,816</u>	<u>\$ 5,188,331</u>	<u>\$ 2,165,243</u>	<u>\$ 13,694,390</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances of governmental funds	\$ 12,056,968
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$29,034,025.	26,374,434
Net pension asset related to the police and fire pension plan is not a current financial resource and therefore not reported in the funds.	9,100,220
Deferred outflows related to the 2015 pension contributions were made subsequent to the measurement date.	1,805,611
Deferred outflows related to changes in the net pension liability are not reported in the governmental funds.	109,830
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds.	
Long-term liabilities net of premiums and discounts	(6,177,000)
Net pension liability	(15,419,642)
Deferred inflows related to changes in the net pension liability	(9,583,496)
Internal service funds are used by management to charge costs of certain activities such as insurance and employee benefits to individual government funds. The assets and liabilities of the internal service funds are included in the governmental activities of the Statement of Net Position.	
Cash and investments	3,503,227
Accounts payable	(637,229)
Compensated absences	(850,190)
Net OPEB obligation	(4,135,522)
Claims payable	<u>(1,136,510)</u>
Net position of governmental activities	<u>\$ 15,010,701</u>

See accompanying notes to the basic financial statements.

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

	<u>General Fund</u>	<u>Equipment Replacement and Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Property tax	\$ 10,846,057	\$ -	\$ -	\$ 10,846,057
Sales tax	260,223	-	-	260,223
Franchise tax	445,590	-	-	445,590
Utility users tax	1,141,790	-	-	1,141,790
Real property transfer tax	3,901,252	-	-	3,901,252
Business license and rental tax	511,611	-	-	511,611
Gas tax	-	-	325,946	325,946
Licenses and permits	516,580	-	-	516,580
Intergovernmental	1,589,360	10,068	164,346	1,763,774
Use of money and property	548,042	-	1,914	549,956
Current service charges	2,869,845	-	1,024,117	3,893,962
Measure B tax	-	-	467,244	467,244
Parcel tax	1,647,223	-	-	1,647,223
Contribution and donations	-	-	86,579	86,579
Other revenues	136,949	-	44,673	181,622
	<u>24,414,522</u>	<u>10,068</u>	<u>2,114,819</u>	<u>26,539,409</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current:				
Administration	2,247,789	56,237	21,492	2,325,518
Public works	3,928,797	7,854	83,449	4,020,100
Public safety:				
Police services	5,530,749	37,521	-	5,568,270
Fire services	4,988,751	3,700	-	4,992,451
Recreation	2,345,285	127,045	807,193	3,279,523
Nondepartmental	2,911,673	-	-	2,911,673
Street improvement	-	-	369,828	369,828
Capital outlay	-	1,745,937	580,697	2,326,634
Debt service - principal	-	-	1,044,000	1,044,000
Debt service - interest	-	-	187,658	187,658
	<u>21,953,044</u>	<u>1,978,294</u>	<u>3,094,317</u>	<u>27,025,655</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>2,461,478</u>	<u>(1,968,226)</u>	<u>(979,498)</u>	<u>(486,246)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,172,979	2,075,145	1,231,658	4,479,782
Transfers out	<u>(3,425,703)</u>	<u>-</u>	<u>(388,620)</u>	<u>(3,814,323)</u>
Total Other Financing Sources (Uses)	<u>(2,252,724)</u>	<u>2,075,145</u>	<u>843,038</u>	<u>665,459</u>
Net Change in Fund Balances	208,754	106,919	(136,460)	179,213
Fund Balances - July 1, 2014	<u>4,703,317</u>	<u>4,975,898</u>	<u>2,198,540</u>	<u>11,877,755</u>
Fund Balances - June 30, 2015	<u>\$ 4,912,071</u>	<u>\$ 5,082,817</u>	<u>\$ 2,062,800</u>	<u>\$ 12,056,968</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 179,213
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases	2,192,147
Depreciation expense	(1,478,316)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt principal payments	1,044,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Pension expense related to deferred outflows and inflows of resources	1,680,082
Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental funds.	
	<u>7,684</u>
Change in net position of governmental activities	<u>\$ 3,624,810</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
ASSETS				
Current Assets				
Cash and investments	\$ 1,279,565	\$ 251,873	\$ 1,531,438	\$ 3,503,227
Accounts receivable, net	117,488	34,457	151,945	-
Prepaid expenses	<u>144,342</u>	<u>-</u>	<u>144,342</u>	<u>-</u>
Total Current Assets	<u>1,541,395</u>	<u>286,330</u>	<u>1,827,725</u>	<u>3,503,227</u>
Non Current Assets				
Capital assets, nondepreciable	213,037	-	213,037	-
Capital assets, net of accumulated depreciation	<u>13,690,255</u>	<u>455,822</u>	<u>14,146,077</u>	<u>-</u>
Total Non-Current Assets	<u>13,903,292</u>	<u>455,822</u>	<u>14,359,114</u>	<u>-</u>
Total Assets	<u>\$ 15,444,687</u>	<u>\$ 742,152</u>	<u>\$ 16,186,839</u>	<u>\$ 3,503,227</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 245,343	\$ 18,912	\$ 264,255	\$ 637,229
Interest payable	54,702	-	54,702	-
Accrued wages and benefits	-	38,657	38,657	-
Advances from other funds	800,000	-	800,000	-
Unearned revenue	-	185,573	185,573	-
Long-term liabilities - current	448,879	-	448,879	-
Compensated absences - current	-	-	-	406,438
Claims payable - current	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,664</u>
Total Current Liabilities	<u>1,548,924</u>	<u>243,142</u>	<u>1,792,066</u>	<u>1,393,331</u>
Non-Current Liabilities				
Long-term liabilities - net of current	4,788,891	-	4,788,891	-
Compensated absences - net of current	-	-	-	443,752
Claims payable - net of current	-	-	-	786,846
Net OPEB obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,135,522</u>
Total Non-Current Liabilities	<u>4,788,891</u>	<u>-</u>	<u>4,788,891</u>	<u>5,366,120</u>
Total Liabilities	<u>6,337,815</u>	<u>243,142</u>	<u>6,580,957</u>	<u>6,759,451</u>
NET POSITION:				
Net investment in capital assets	8,665,522	455,822	9,121,344	-
Unrestricted	<u>441,350</u>	<u>43,188</u>	<u>484,538</u>	<u>(3,256,224)</u>
Total Net Position	<u>9,106,872</u>	<u>499,010</u>	<u>9,605,882</u>	<u>(3,256,224)</u>
Total Liabilities and Net Position	<u>\$ 15,444,687</u>	<u>\$ 742,152</u>	<u>\$ 16,186,839</u>	<u>\$ 3,503,227</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 2,270,835	\$ 525,874	\$ 2,796,709	\$ -
Total Operating Revenue	<u>2,270,835</u>	<u>525,874</u>	<u>2,796,709</u>	<u>-</u>
<u>OPERATING EXPENSES</u>				
Contract and professional services	758,527	465,470	1,223,997	-
Services and supplies	-	149,973	149,973	-
Insurance and claims expense	-	-	-	1,283,194
OPEB expense	-	-	-	862,872
Depreciation	<u>396,503</u>	<u>21,620</u>	<u>418,123</u>	<u>-</u>
Total Operating Expenses	<u>1,155,030</u>	<u>637,063</u>	<u>1,792,093</u>	<u>2,146,066</u>
Operating Income (Loss)	<u>1,115,805</u>	<u>(111,189)</u>	<u>1,004,616</u>	<u>(2,146,066)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	5,440	-	5,440	-
Interest expense	(71,306)	-	(71,306)	-
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,153,750</u>
Total Non-Operating Revenues (Expenses)	<u>(65,866)</u>	<u>-</u>	<u>(65,866)</u>	<u>2,153,750</u>
Income (Loss) Before Transfers	<u>1,049,939</u>	<u>(111,189)</u>	<u>938,750</u>	<u>7,684</u>
<u>TRANSFERS</u>				
Transfers in	-	120,000	120,000	-
Transfers out	<u>(785,459)</u>	<u>-</u>	<u>(785,459)</u>	<u>-</u>
Total Transfers	<u>(785,459)</u>	<u>120,000</u>	<u>(665,459)</u>	<u>-</u>
Change in net position	264,480	8,811	273,291	7,684
Net Position - July 1, 2014	<u>8,842,392</u>	<u>490,199</u>	<u>9,332,591</u>	<u>(3,263,908)</u>
Net Position - June 30, 2015	<u>\$ 9,106,872</u>	<u>\$ 499,010</u>	<u>\$ 9,605,882</u>	<u>\$ (3,256,224)</u>

See accompanying notes to the basic financial statements.

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

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ 2,265,899	\$ 499,641	\$ 2,765,540	\$ -
Claims and premium paid	-	-	-	(1,180,440)
Cash paid to suppliers	(681,466)	(207,607)	(889,073)	-
Cash paid to employees	-	(389,019)	(389,019)	(730,464)
Net Cash Provided by (Used for) Operating Activities	<u>1,584,433</u>	<u>(96,985)</u>	<u>1,487,448</u>	<u>(1,910,904)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Other income	-	-	-	2,153,750
Interfund (payments) receipts	800,000	-	800,000	-
Transfers from other funds	(785,459)	120,000	(665,459)	-
Net Cash Provided by Non-Capital Financing Activities	<u>14,541</u>	<u>120,000</u>	<u>134,541</u>	<u>2,153,750</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	(406,032)	-	(406,032)	-
Principal paid on long-term debt	(439,345)	-	(439,345)	-
Interest paid on long-term debt	(76,406)	-	(76,406)	-
Net Cash Used for Capital and Related Financing Activities	<u>(921,783)</u>	<u>-</u>	<u>(921,783)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	5,438	-	5,438	-
Net Cash Provided by Investing Activities	<u>5,438</u>	<u>-</u>	<u>5,438</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	682,629	23,015	705,644	242,846
Cash and Cash Equivalents - July 1, 2014	<u>596,936</u>	<u>228,858</u>	<u>825,794</u>	<u>3,260,381</u>
Cash and Cash Equivalents - June 30, 2015	<u>\$ 1,279,565</u>	<u>\$ 251,873</u>	<u>\$ 1,531,438</u>	<u>\$ 3,503,227</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED FOR) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	1,115,805	(111,189)	1,004,616	(2,146,066)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	396,503	21,620	418,123	-
Changes in assets and liabilities:				
Increase in accounts receivable	(4,936)	(34,457)	(39,393)	-
Increase in prepaid expenses	(144,342)	-	(144,342)	-
Increase (decrease) in accounts payable	221,403	(3,892)	217,511	(194,927)
Increase in unearned revenue	-	8,224	8,224	-
Increase in claims payable	-	-	-	80,202
Increase in accrued wages	-	22,709	22,709	-
Increase in net OPEB obligation	-	-	-	260,997
Increase in compensated absences	-	-	-	88,890
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,584,433</u>	<u>\$ (96,985)</u>	<u>\$ 1,487,448</u>	<u>\$ (1,910,904)</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds</u>	<u>Police and Fire Pension Plan Trust Fund</u>	<u>OPEB Trust Fund</u>
<u>ASSETS</u>			
Restricted cash (Note 2)	\$ 454,085	\$ -	\$ -
Restricted investments (Note 2)	-	11,846,859	5,530,562
Accounts receivable	21,345	-	-
Interest receivable	-	14,006	-
	<u>-</u>	<u>14,006</u>	<u>-</u>
Total Assets	\$ <u>475,430</u>	\$ <u>11,860,865</u>	\$ <u>5,530,562</u>
<u>LIABILITIES</u>			
Accounts payable and other liabilities	\$ -	\$ 215,608	\$ -
Deposits held in trust	475,430	-	-
	<u>475,430</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ <u>475,430</u>	\$ <u>215,608</u>	\$ <u>-</u>
<u>NET POSITION</u>			
Restricted for police and fire pension	-	11,645,257	-
Restricted for OPEB trust	-	-	5,530,562
	<u>-</u>	<u>-</u>	<u>5,530,562</u>
Total Net Position	\$ <u>-</u>	\$ <u>11,645,257</u>	\$ <u>5,530,562</u>

See accompanying notes to the basic financial statements.

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

	Police and Fire Pension Plan Trust Fund	OPEB Trust Fund
<u>ADDITIONS</u>		
Investment income		
Net increase/decrease in fair value of investments	\$ (70,255)	\$ 45,917
Interest and dividends	365,010	-
Other revenues	-	1,131,355
	294,755	1,177,272
<u>DEDUCTIONS</u>		
Pension benefits paid	287,175	-
Administrative expenses	81,595	-
	368,770	-
Change in Fiduciary Net Position	(74,015)	1,177,272
Fiduciary Net Position - July 1, 2014	11,719,272	4,353,290
Fiduciary Net Position - June 30, 2015	\$ 11,645,257	\$ 5,530,562

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Piedmont is a residential community located in the East Bay Hills, approximately ten miles east of San Francisco, California. The City was incorporated as a municipal corporation in 1907; population at June 30, 2015 was approximately 11,230.

The City operates under the Council-Administrator form of government, with five elected Council members served by a full-time City Administrator and staff. At June 30, 2015, the City's staff was comprised of 91 full-time employees who were responsible for the following City-provided services:

Public Safety - The City employs 20 sworn and 9 unsworn police personnel to provide round-the-clock police services from a central station, and 25 fire personnel to provide round-the-clock fire services from a central station.

Streets and Roads - The City contracts the construction and maintenance of its streets, curbs, gutters, and related public property.

Recreation, Public Works, Administration and other services are provided by a total of 38 full-time and 5 part-time employees.

In addition, the City employs approximately 303 seasonal recreational personnel.

The accounting policies of the City of Piedmont conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. The Reporting Entity

The accompanying basic financial statements present the financial activities of the City, which has no component units.

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. These standards require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service activities. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in part by fees charged to external parties for goods or services.

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.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds - Internal service funds are used to account for, and finance, services and commodities furnished by a designated department of a governmental unit to other departments of the same governmental unit. The City uses internal service funds to account for insurance and employee benefits activities.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - Private-Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

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

General Fund - This 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 a separate fund.

Equipment Replacement & Facilities Maintenance Fund - This fund is used to account for the accumulation of resources used to replace and maintain capital assets used by governmental funds.

The City reports the following major proprietary funds in the accompanying financial statements:

Sewer Fund - This fund is used to account for the operations of the sewer and storm drain systems.

Aquatic Fund - This fund is used to account for the operations of the Piedmont Community Pool activities.

The City also reports the following fund types:

Agency Funds - These funds are custodial in nature and do not involve measurement of the results of operations. These funds account for amounts held for eight separate underground utility assessment districts.

Police and Fire Pension Trust Fund - This fund accounts for the pension investment activity including retirement payments to 16 retired City employees and/or surviving spouses.

OPEB Trust Fund - This fund accounts for OPEB trust investment activity for the post-employment retiree healthcare benefits.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and proprietary activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources, and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. As agency funds report only assets and liabilities, they do not have a measurement focus. However, they use the accrual basis of accounting to recognize receivables and payables. The "economic resources" measurement focus and the accrual basis of accounting is used for trust funds.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and proprietary activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds's principal operations. The principal operating revenues of the enterprise and internal service funds are charges for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Alameda levies, bills, and collects property taxes and special assessments for the City as follows:

	Secured	Unsecured
Valuation Dates	March 1	March 1
Lien/levy Dates	January 1	January 1
Due Dates	50% of November 1 and February 1	August 31
Delinquent as of	December 10 and April 10	August 31

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenue is recognized in accordance with applicable GASB pronouncements; that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities in the current period. The County remits the entire amount of the tax levy to the City (net of County administrative fees), and handles all delinquencies, retaining any interest and penalties. The County remits a property tax clean-up payment for the current period each September following the close of the fiscal year. The City makes an exception to the 60-day recognition period to recognize this revenue in the current period.

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures and monies held in the police and fire pension trust and OPEB trust. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

For purposes of the statement of cash flows, the City considers cash and cash equivalents as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Because the only investment held by the proprietary funds is the Local Agency Investment Fund (LAIF), which meets the definition of a cash equivalent, the entire pooled balance is reported as cash and investments.

F. Accounts and Interest Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, fines, interest, and other fees. Federal and state grants are considered receivable and accrue as revenue when reimbursable costs are incurred.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are recorded as deferred inflows of resources in the fund financial statements in accordance with modified accrual, but are not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are recorded as deferred inflows of resources to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Service charges and interest earnings compose the majority of proprietary fund receivables.

G. Capital Assets

The accounting treatment of property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital outlay with a cost of \$5,000 or more are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	60 years
Vehicles	4 - 20 years
Furniture, fixtures, and equipment	7 - 25 years
Pavement system	28 years
Sidewalk, curb, and gutters	40 years
Traffic signals	25 years
Street lights	25 years
Bridges	75 years
Park facilities system	25 - 40 years
Sewer and storm drains	50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets of business-type activities is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

H. Compensated Absences

A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2015. Compensated absences include vacation pay and compensated time off. The City recognizes the liability for its compensated absences at year-end in the internal service fund.

I. Long-Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, except for insurance, are expensed in the period incurred. Amortization of bond premiums or discounts, insurance costs, and deferred amounts on refunding is included in interest expense.

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, both related to pensions and described further in Note 7.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category which is related to pensions and described further in Note 7.

K. Pensions

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

L. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. Equity Classifications

Government-wide Statements

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 categories. These categories apply only to net position, which is determined at the Government-wide level, and are described below:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (1) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the City Council's intent to be used for specific purposes through a resolution, but are neither restricted or committed. The City Council assigns fund balances for specific purposes by resolution adopting the annual budget for the upcoming fiscal year, or by an amending budget resolution during the fiscal year.
- e. Unassigned - Amounts representing the residual classification for the general fund or any other fund with a negative fund balance.

Further detail about the City's fund balance classification is described in Note 10.

N. General Budget Policies

The City operates under the general laws of the State of California and annually adopts a budget for its governmental and proprietary funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Encumbrances are considered to be expenditures in the year the commitment is entered into. Budget appropriations lapse at the end of the fiscal year unless encumbered by specific Council approval.

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

P. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2014, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statements No. 68 and 71

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. 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. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement requires 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. See note 7 for information on implementation.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2015 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits other than Pension Plans*. This statement replaces Statement No. 43 and 57 and improves the usefulness of information about postemployment benefits other than pensions. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB, and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. 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). 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. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. 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. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 were classified in the accompanying financial statements as follows:

	<u>Cash and Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 13,007,574	\$ 798,972	\$ 13,806,546
Business-type activities	<u>1,531,438</u>	<u>-</u>	<u>1,531,438</u>
Total government-wide cash and investments	<u>14,539,012</u>	<u>798,972</u>	<u>15,337,984</u>
Fiduciary activities	<u>-</u>	<u>17,831,506</u>	<u>17,831,506</u>
Total cash and investments	<u>\$ 14,539,012</u>	<u>\$ 18,630,478</u>	<u>\$ 33,169,490</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2015 and consisted of the following:

Cash on hand	\$ 900
Cash in banks	<u>1,881,986</u>
Total cash	<u>1,882,886</u>
Corporate bonds	5,867,432
Money market funds	352,588
Local Agency Investment Fund (LAIF)	14,221,183
Equity securities	<u>10,845,401</u>
Total investments	<u>31,286,604</u>
Total cash and investments	<u>\$ 33,169,490</u>

Authorized Investments of the City

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

The City complies with the provisions of California Government Code (or the City's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the City, rather than the general provisions of the California Government Code or the Agency's investment policy. The only investments held by the bond trustee are U.S. Treasury money market funds.

Investments Authorized by the Police and Fire Pension Board

Investment of funds in the Police and Fire pension are managed by an investment advisor. The Piedmont Police and Fire Pension Fund investment policy allows the investment advisor to manage the Pension Fund in a manner consistent with the investment objectives as outlined in the April 2006 investment policy, the Prudent Expert Rule, and the provisions of the Employee Retirement Income Security Act of 1974.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The investment policy grants the advisor full power and authority to make purchases, sales, exchanges, conversion and trades in connection therewith as the advisor deems appropriate to the provisions of Sections 2.144 and 2.145 of the Piedmont City Code. The assets in the plan are invested in a manner that is consistent with generally accepted standards of fiduciary responsibility, to insure the security of principal, and maximum yield on all pension fund investments through a mix of well diversified, high quality, fixed income and equity securities.

Authorized investments include the following:

Authorized Investment Type	Maximum Percentage of Portfolio	Minimum Credit Rating
Domestic Equities	5% per issuer	N/A
Foreign Equity Investments Traded on U.S. Based Exchanges	20%	N/A
Cash	10%	N/A
S&P Stock Index Futures	None	N/A
Fixed Income Securities	None	B/B overall portfolio
Commercial Paper	None	A-2/P-2
Certificates of Deposit	None	None
Bankers Acceptances	None	None
U.S. Treasury Bonds, Notes, and Bills	None	None
Debt Instruments of U.S. Government Agencies	None	None
Repurchase Agreements with U.S. Treasury Securities as Collateral	None	None
Repurchase Agreements with U.S. Treasury Agencies as Collateral	None	None
Corporate Notes	None	B/B
Asset-Backed Securities	None	None
Municipal Debt	None	Baa/BBB
Mortgage-Backed Pass-Through Securities by GSE's and CMBS	None	None
Collateralized Mortgage Obligations	None	None

Other investments are also permissible upon Board approval.

Investments Authorized by the OPEB Trust Fund

Investment of funds in the OPEB (Other Post-employment Benefits) Pension Trust are managed by the same investment advisor for the Police and Fire Pension Trust. The OPEB investment policy allows the investment advisor to manage the OPEB Trust Fund in a manner consistent with the investment objectives as outlined in the May 2013 investment policy.

The investment policy grants the advisor full power and authority to make purchases, sales, exchanges, conversions and trades in connection therewith as the advisor deems appropriate. The advisor is expected to operate within the Prudent Expert Rule, the provision of the Employee Security Act of 1974 (ERISA) and other pertinent state and federal laws, regulations, and rulings that relate to the investment process. The assets of the Trust shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility to insure the security of principal and maximum yield on all investments through a mix of well-diversified fixed income and equity securities. The following are the OPEB Trust Fund investment policies and guidelines:

The investment policy specified the long-term asset allocation targets:

Asset Class	Minimum	Target	Maximum
Equity	25%	60%	75%
Fixed Income	25%	40%	75%

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The cash holdings should not exceed 10% of the market value in the portfolio. The asset allocation targets are to be pursued on a long-term strategic basis and may be revised when significant changes occur within the economic and/or capital market environment or in the stream of future benefits expected to be paid. Capital market assumption and projections shall be reviewed annually. Benefit payments shall be reviewed quarterly. Benefits liabilities and assumptions shall be reviewed no less frequently than every three years.

The equity portion of the Trust shall be invested in marketable equity securities with certain restrictions placed:

Equity Types	Restrictions
Equity mutual funds	None
Individual U.S. Stocks	a. 5% maximum exposure at cost b. 10% maximum exposure at market value c. 5% maximum of company's outstanding shares
Individual non-U.S. Stocks (including American Depository receipts, foreign-listed securities)	25% maximum at cost

The fixed income portion of the Trust shall be invested in marketable, fixed-income securities with certain restrictions specified below. All fixed income securities held directly must be rated B/B or better by Moody's Investors Services and Standard & Poor's Corporation.

Fixed-Income Types	Restrictions
U.S. Treasury bonds, notes, and bills	None
Debt instruments issued U.S. Government or Agencies	None
Repurchase agreements with U.S. Treasury Securities and Agencies of U.S. Government as collateral	None
Certificates of deposit and banker's acceptances	None
Diversified fixed-income mutual funds	None
Asset-backed securities	None
Mortgage-backed pass through securities issued by Government Sponsored Enterprises (GSEs) and Commercially (CMBS)	None
Collateralized Mortgage Obligations (CMOs)	Has certain restrictions
Commercial paper or variable rate notes	a. A-2/P-2 or higher by S&P or Moody's b. 10% maximum exposure at market value
Private placements	5% maximum exposure at cost
Eurodollar securities and non-dollar denominated instruments	15% maximum exposure at cost
Preferred stock	10% maximum exposure at cost
Debt for equity exchanges	5% maximum exposure at cost
Mortgage-backed derivative instruments	10% maximum exposure at cost

The following investments are explicitly prohibited by the OPEB Trust Investment Policy:

Asset Class	Prohibited Investment
Equity	a. Future b. Derivatives c. Short sale d. Private placements e. Commodities
Fixed-Income	a. Interest-only strips b. Inverse floating rate notes

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held in trust) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2015:

	Remaining Maturity			Fair Value
	12 months or less	1-5 years	More than 5 years	
Police and Fire Pension Trust Fund:				
Fixed income mutual funds	\$ 4,010,811	\$ -	\$ -	\$ 4,010,811
Domestic equities	5,811,244	-	-	5,811,244
Foreign equities	1,672,216	-	-	1,672,216
Money market funds	<u>352,588</u>	<u>-</u>	<u>-</u>	<u>352,588</u>
Total Police and Fire Pension Trust Fund	<u>11,846,859</u>	<u>-</u>	<u>-</u>	<u>11,846,859</u>
OPEB Trust Fund:				
Cash in banks	312,000	-	-	312,000
Equity mutual funds	<u>5,218,562</u>	<u>-</u>	<u>-</u>	<u>5,218,562</u>
Total OPEB Trust Fund	<u>5,530,562</u>	<u>-</u>	<u>-</u>	<u>5,530,562</u>
City and Agency Funds:				
Local Agency Investment Fund	14,221,183	-	-	14,221,183
Cash in banks	1,569,986	-	-	1,569,986
Petty cash	<u>900</u>	<u>-</u>	<u>-</u>	<u>900</u>
Total Cash and Investments	<u>\$ 33,169,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,169,490</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held in trust) that were highly sensitive to interest rate fluctuations as of June 30, 2015.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2: CASH AND INVESTMENTS (CONTINUED)Disclosures Relating to Credit Risk

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

Investment Type	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Police and Fire Pension Trust Fund:				
Fixed income mutual funds	\$ 4,010,811			Not rated
Domestic Equities	5,811,244			Not rated
Foreign Equities	1,672,216			Not rated
Money Market Funds	352,588			
OPEB Trust Fund				
Cash in banks	312,000			Not rated
Equity Mutual Funds	5,218,562			Not rated
City and Agency Funds				
Local Agency Investment Fund	14,221,183			Not rated
Cash in banks	1,569,986			Not rated
Petty Cash	<u>900</u>			Not rated
	<u>\$ 33,169,490</u>			

Custodial Credit Risk

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

Investment in State Investment Pool

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

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3: INTERFUND AND INTRA-FUND TRANSACTIONS**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2015 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental Funds</u>			
Equipment Replacement & Facilities Maintenance	Sewer	Sewer replacement project	\$ <u>800,000</u>
Total Interfund Receivables/Payables			\$ <u>800,000</u>

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Major Governmental Funds</u>			
General Fund	Facilities Maintenance & Equipment Replacement	Funding for capital outlay	\$ 400,000
	Facilities Maintenance & Equipment Replacement	Funding for capital outlay	20,295
	Facilities Maintenance & Equipment Replacement	Funding for capital outlay	450,000
	Facilities Maintenance & Equipment Replacement	Excess net position contribution	1,203,750
	Aquatics Fund	General Fund subsidy	120,000
	2014 Taxable Pension Obligation Bonds	Pension side-fund bond liability payment	<u>1,231,658</u>
Total Major Governmental Interfund Transfers			<u>3,425,703</u>
<u>Non-Major Governmental Funds</u>			
Private Contributions	General Fund	Contribution for concert, movie, harvest festival	3,347
Private Contributions	Facilities Maintenance & Equipment Replacement	Capital projects	1,100
Schoolmates Fund	General Fund	General Fund subsidy	46,436
Streets Project	General Fund	Highway user tax revenue	320,000
Measure D Fund	General Fund	General fund administrative cost recovery	<u>17,737</u>
Total Non- Major Governmental Interfund Transfer			<u>388,620</u>
<u>Proprietary Funds</u>			
Sewer Fund	General Fund	Annual public works labor and material cost recovery	<u>785,459</u>
Total Proprietary Fund Transfers			<u>785,459</u>
Total Interfund Transfers			\$ <u>4,599,782</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3: INTERFUND AND INTRA-FUND TRANSACTIONS (CONTINUED)**Intra-fund Transfers between Fund**

Intra-fund transfers are not presented on the Statement of Revenues, Expenses, and Changes in Net Position for the governmental funds as they are presented on a net basis. Intrafund transfers during the year ended June 30, 2015 consisted of a transfer between the General Fund and the COPS fund for \$8,980.

NOTE 4: CAPITAL ASSETS**Governmental Activities:**

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated					
Land	\$ 5,515,004	\$ -	\$ -	\$ -	\$ 5,515,004
Construction-in-progress	<u>597,298</u>	<u>791,314</u>	<u>-</u>	<u>(892,715)</u>	<u>495,897</u>
Total capital assets not being depreciated	<u>6,112,302</u>	<u>791,314</u>	<u>-</u>	<u>(892,715)</u>	<u>6,010,901</u>
Capital assets being depreciated					
Buildings and improvements	2,633,902	474,535	-	-	3,108,437
Vehicles	2,854,946	268,945	(73,082)	892,715	3,943,524
Property and equipment	3,102,510	36,170	(7,163)	-	3,131,517
Infrastructure	<u>38,669,948</u>	<u>621,183</u>	<u>(77,051)</u>	<u>-</u>	<u>39,214,080</u>
Total capital assets being depreciated	<u>47,261,306</u>	<u>1,400,833</u>	<u>(157,296)</u>	<u>892,715</u>	<u>49,397,558</u>
Less accumulated depreciation					
Buildings and improvements	(1,014,296)	(94,705)	-	-	(1,109,001)
Vehicles	(1,905,717)	(162,253)	73,082	-	(1,994,888)
Property and equipment	(1,397,884)	(262,451)	7,163	-	(1,653,172)
Infrastructure	<u>(23,395,108)</u>	<u>(958,907)</u>	<u>77,051</u>	<u>-</u>	<u>(24,276,964)</u>
Total accumulated depreciation	<u>(27,713,005)</u>	<u>(1,478,316)</u>	<u>157,296</u>	<u>-</u>	<u>(29,034,025)</u>
Total Capital Assets, net	\$ <u>25,660,603</u>	\$ <u>713,831</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>26,374,434</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

Administration	\$ 73,186
Public works	803,200
Public safety - police	187,987
Public safety - fire	154,607
Recreation	<u>259,336</u>

Total governmental activities depreciation expense **\$ 1,478,316**

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4: CAPITAL ASSETS (CONTINUED)**Business-type Activities:**

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated					
Construction-in-progress	\$ 95,341	\$ 117,696	\$ -	\$ -	\$ 213,037
Total capital assets not being depreciated	<u>95,341</u>	<u>117,696</u>	<u>-</u>	<u>-</u>	<u>213,037</u>
Capital assets being depreciated					
Building and improvements	540,500	-	-	-	540,500
Vehicles	655,428	-	-	-	655,428
Infrastructure	<u>16,887,771</u>	<u>288,336</u>	<u>-</u>	<u>-</u>	<u>17,176,107</u>
Total capital assets being depreciated	<u>18,083,699</u>	<u>288,336</u>	<u>-</u>	<u>-</u>	<u>18,372,035</u>
Less accumulated depreciation					
Building and improvements	(63,058)	(21,620)	-	-	(84,678)
Vehicles	(397,365)	(60,162)	-	-	(457,527)
Infrastructure	<u>(3,347,412)</u>	<u>(336,341)</u>	<u>-</u>	<u>-</u>	<u>(3,683,753)</u>
Total accumulated depreciation	<u>(3,807,835)</u>	<u>(418,123)</u>	<u>-</u>	<u>-</u>	<u>(4,225,958)</u>
Total Capital Assets, net	<u>\$ 14,371,205</u>	<u>\$ (12,091)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,359,114</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

Business-type Activities:

Sewer	\$ 396,503
Aquatics	<u>21,620</u>
Total business-type activities depreciation expense	<u>\$ 418,123</u>

NOTE 5: LONG-TERM LIABILITIES

Governmental activities long-term debt issued and outstanding at June 30, 2015 was comprised of the following:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2015</u>
2014 Tax allocation bonds	2020	2.79%	\$ 7,305,000	\$ 6,177,000
Compensated absences				<u>850,190</u>
Total governmental activities				<u>\$ 7,027,190</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Business-type activities long-term debt issued and outstanding at June 30, 2015 was comprised of the following:

Type of Indebtedness	Maturity	Interest Rates	Authorized and Issued	Outstanding June 30, 2015
Sewer Rehab Loan - Phase I	2022	2.40%	\$ 2,266,920	\$ 1,039,382
Sewer Rehab Loan - Phase II	2023	2.50%	2,211,812	1,130,106
Sewer Rehab Loan - Phase III	2025	2.50%	2,512,708	1,413,573
Sewer Rehab Loan - Phase IV	2031	1.0%	4,171,500	<u>1,654,709</u>
Total business-type activities	2028	2.8050%		<u>\$ 5,237,770</u>

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Governmental Activities:					
Tax allocation bonds	\$ <u>7,221,000</u>	\$ -	\$ (1,044,000)	\$ <u>6,177,000</u>	\$ <u>1,177,000</u>
Total bonds and notes payable	<u>7,221,000</u>	-	<u>(1,044,000)</u>	<u>6,177,000</u>	<u>1,177,000</u>
Other liabilities:					
Compensated absences	<u>761,300</u>	<u>507,213</u>	<u>(418,323)</u>	<u>850,190</u>	<u>406,438</u>
Total Governmental Activities	<u>\$ 7,982,300</u>	<u>\$ 507,213</u>	<u>\$ (1,462,323)</u>	<u>\$ 7,027,190</u>	<u>\$ 1,583,438</u>
Business-type Activities					
Sewer Rehab Loan - Phase I	\$ 1,155,981	\$ -	\$ (116,599)	\$ 1,039,382	\$ 119,397
Sewer Rehab Loan - Phase II	1,240,864	-	(110,758)	1,130,106	113,527
Sewer Rehab Loan - Phase III	1,536,669	-	(123,096)	1,413,573	126,174
Sewer Rehab Loan - Phase IV	<u>1,743,601</u>	-	<u>(88,892)</u>	<u>1,654,709</u>	<u>89,781</u>
Total Business-type Activities	<u>\$ 5,677,115</u>	<u>\$ -</u>	<u>\$ (439,345)</u>	<u>\$ 5,237,770</u>	<u>\$ 448,879</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2015 follows:

A. Governmental Activities2014 Taxable Pension Obligation Bonds

In May 2014, the City authorized and issued \$7,305,000 of taxable pension obligation bonds to pay off the City's outstanding side fund liability to the California Public Employee's Retirement System (CalPERS) for its safety and miscellaneous plans. The bonds are subject to mandatory principal redemption amounts on March 30, June 30, September 30, and December 30. The bonds accrue interest at a rate of 2.79 percent annually, and mature on March 30, 2020.

Compensated Absences

At June 30, 2015, compensated absences totaled \$850,190, of which \$406,438 was recorded as a current liability and the non-current portion totaled \$443,752. For governmental activities, compensated absences are liquidated by the general fund.

Governmental Activities Long-Term Liabilities Future Debt ServicePension Obligation Bonds

For the Year Ending June 30	Principal	Interest	Total
2016	\$ 1,177,000	\$ 160,014	\$ 1,337,014
2017	1,220,000	126,736	1,346,736
2018	1,296,000	91,924	1,387,924
2019	1,374,000	54,949	1,428,949
2020	<u>1,110,000</u>	<u>15,763</u>	<u>1,125,763</u>
Total	<u>\$ 6,177,000</u>	<u>\$ 449,386</u>	<u>\$ 6,626,386</u>

B. Business-type ActivitiesSewer Rehabilitation Loan - Phase I

In August 2001, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase I). Funds are drawn on the agreement as work is completed up to a maximum amount of \$2,226,920 plus any construction period interest. The loan accrues interest at a rate of 2.4 percent annually. Principal and interest payments are due in 20 annual installments with the first payment due one year after completion of the project. The project was completed in July 2002 and the first principal installment was paid in July 2003. Final payment is due July 2022.

Sewer Rehabilitation Loan - Phase II

In October 2003, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase II). Funds are drawn on the agreement as work is completed up to a maximum amount of \$2,211,812 plus any construction period interest. The loan accrues interest at a rate of 2.5 percent annually. Principal and interest payments are due in 20 annual installments with the first payment due one year after completion of the project. The project was completed in December 2003 and the first principal installment was paid in December 2004. Final payment is due December 2023. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), is pledged for future debt service.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: LONG-TERM LIABILITES (CONTINUED)Sewer Rehabilitation Loan - Phase III

In September 2004, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase III). Funds are drawn on the agreement as work is completed up to a maximum amount of \$2,512,708 plus any construction period interest. The loan accrues interest at a rate of 2.5 percent annually. Principal and interest payments are due in 20 annual installments with the first payment due one year after completion of the project. The project was completed in May 2005 and the first principal installment was paid in May 2006. Final payment is due May 2025. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), is pledged for future debt service.

Sewer Rehabilitation Loan - Phase IV

In October 2009, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase IV). Funds are drawn on the agreement as work is completed up to a maximum amount of \$4,171,500 plus any construction period interest. The loan accrues interest at a rate of 1.0 percent annually. Annual principal payments are due each September 1, commencing September 1, 2012. Final payment is due September 2031. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), is pledged for future debt service.

Business-type Activities Long-Term Liabilities Future Debt Service

For the Year Ending June 30	Principal	Interest	Total
2016	\$ 448,879	\$ 105,084	\$ 553,963
2017	458,635	95,328	553,963
2018	468,618	85,345	553,963
2019	478,835	75,128	553,963
2020	489,290	64,673	553,963
2021 - 2025	2,178,115	161,236	2,339,351
2025 - 2030	505,888	25,752	531,640
2031 - 2035	<u>209,510</u>	<u>3,147</u>	<u>212,657</u>
Total	\$ <u>5,237,770</u>	\$ <u>615,693</u>	\$ <u>5,853,463</u>

NOTE 6: ASSESSMENT DEBT WITHOUT CITY COMMITMENT

The following are assessment districts debts in which the City is not liable for the repayment of these debts and is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. For this reason, these debts are not reported as long-term liabilities of the City.

In June 2002, the City administered the issuance of special assessment bonds to provide funds for the Dudley/Blair Underground Utility Assessment District. At June 30, 2015, the outstanding principal of the bond issue was \$1,120,000.

In August 2005, the City administered the issuance of special assessment bonds to provide funding for the Wildwood/Crocker Underground Utility Assessment District. At June 30, 2015 the outstanding principal of the bond issue was \$475,000.

In July 2009, the City administered the issuance of special assessment bonds to provide funding for the Piedmont Hills Underground Assessment District. At June 30, 2015 the outstanding principal of the bond issue was \$2,940,000.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN**A. General Information about the Pension Plans**Plan Description

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

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 (age 62 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Special Death Benefit (Safety only), the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

Hire Date	Miscellaneous		
	Tier I Prior to January 1, 2013	Tier II Prior to January 1, 2013	Tier III (PEPRA) On or After January 1, 2013
Benefit Formula	3.0% @ 60	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 and up	60 and up	62 and up
Monthly Benefits, as a % of Eligible Compensation	2.0% to 3.0%	2.0%	2.0%
Required Employee Contribution Rates	8.000%	7.000%	6.250%
Required Employer Contribution Rates	23.788%	8.049%	6.250%
	Safety		
Hire Date	Tier I Prior to January 1, 2013	Tier II Prior to January 1, 2013	Tier III (PEPRA) On or After January 1, 2013
Benefit Formula	3.0% @ 50	2.0% @ 50	2.7% @ 57
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 and up	50 and up	57 and up
Monthly Benefits, as a % of Eligible Compensation	3.0%	2.0%	2.70%
Required Employee Contribution Rates	9.000%	9.000%	12.250%
Required Employer Contribution Rates	45.956%	21.303%	12.250%

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)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.

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

	Miscellaneous			Safety		
	Tier I	Tier II	Tier III	Tier I	Tier II	Tier III
Contributions - Employer	\$ 670,035	\$ 22,555	\$ 22,373	\$ 1,446,420	\$ 75,076	\$ 52,956
Contributions - Employee	\$ 346,137	\$ 11,652	\$ 11,558	\$ 747,213	\$ 38,784	\$ 27,357

For the measurement period ended June 30, 2014, the City paid 6% of the Tier I, and 5% of the Tier II Miscellaneous employee contributions.

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

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:

	<u>Proportionate Share of Net Pension Liability (Asset)</u>
Miscellaneous	
Tier I	\$ 4,668,967
Tier II	821
Tier III	1,016
Safety	
Tier I	10,741,858
Tier II	(1,523)
Tier III	<u>8,503</u>
Total Net Pension Liability	<u>\$ 15,419,642</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each 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:

	Miscellaneous			Safety		
	Tier I	Tier II	Tier III	Tier I	Tier II	Tier III
Proportion - June 30, 2013	0.10309%	0.00001%	0.00001%	0.23232%	0.00008%	0.00013%
Proportion - June 30, 2014	0.07500%	0.00001%	0.00001%	0.17250%	0.00008%	0.00013%
Change - Increase (Decrease)	(0.02809%)	-	-	(0.05982%)	-	-

For the year ended June 30, 2015, the City recognized pension expense of \$125,528. 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 of Resources	Deferred Inflows of Resources
2014-15 Pension contributions subsequent to the measurement date	\$ 1,805,611	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	109,830	(4,740,092)
Adjustment due to differences in proportions	-	(354,898)
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(4,488,506)</u>
Total	<u>\$ 1,915,441</u>	<u>\$ (9,583,496)</u>

\$1,805,611 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:

Measurement Period Ended June 30,	
2015	\$ (2,902,540)
2016	\$ (2,902,540)
2017	\$ (2,546,459)
2018	\$ (1,122,127)

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Cost-Sharing Miscellaneous & Safety Plans</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) 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 201 Experience Study Report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at 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 called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
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%)

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

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

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:

<u>Net Pension Liability (Asset)</u>	<u>Discount Rate -1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate +1% (8.50%)</u>
Miscellaneous - Tier I	\$ 8,423,586	\$ 4,668,967	\$ 1,549,202
Miscellaneous - Tier II	\$ 1,236	\$ 821	\$ 244
Miscellaneous - Tier III	\$ 1,569	\$ 1,016	\$ 309
Safety - Tier I	\$ 18,694,224	\$ 10,741,858	\$ 4,174,665
Safety - Tier II	\$ 8,556	\$ (1,523)	\$ 2,019
Safety - Tier III	\$ 13,708	\$ 8,503	\$ 3,234

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: PIEDMONT POLICE AND FIRE PENSION PLAN (CLOSED PLAN)

Plan Description

The Piedmont Police and Fire Pension Plan (the Plan) is a single-employer defined benefit pension plan for the City's police and fire employees hired before July 1, 1971. The Plan is closed to new participants. Section 26.1 of the City Ordinance grants authority to establish and manage benefit terms to the Police and Fire Pension Board (the Board). The Board comprises of the mayor, one member of the City Council, one member of the police department, one member of the fire department, and one community representative.

The Plan covers 16 retired City employees or surviving spouses, who receive monthly benefits, which will continue for life.

Funding Policy

Contributions are determined by an actuarial valuation. Currently, assets exceed the total pension liability, so the contribution rate is 0%.

Benefit Terms

Benefits for service retirement - Benefit is 50% of final average salary (FAS) (average over the 12 months before retirement, 36 months if advanced in rank during the last 3 years before retirement) plus 3 1/3% x FAS for each year of service greater than 25 but less than 30 years. The maximum benefit is 66 2/3% of pay. Benefits are payable for participant's lifetime with 50% of the benefit payable to eligible spouse upon the death of the participant.

Benefits for duty related disability - Benefit is 50% of FAS plus 3 1/3% x FAS for each year of service greater than 25 but less than 30 years. The maximum benefit is 66 2/3% of pay. Benefits are payable for participant's lifetime with 50% of the benefit payable to eligible spouse or minor children upon the death of the participant.

A 2% cost-of-living adjustment is payable to certain retirees.

Net Pension Liability (Asset)

The City's net pension liability (asset) as of June 30, 2015 is based on a valuation as of June 30, 2014, and is as follows:

<u>Net Pension Liability (Asset)</u>	
Discount rate	6.00%
Total pension liability	\$ 2,619,052
Plan fiduciary net position	<u>(11,719,272)</u>
City's net pension liability (asset)	<u>\$ (9,100,220)</u>
Plan fiduciary net position as a percentage of the total pension liability	447%

Significant Assumptions to Measure Total Pension Liability

Discount rate	6%
Inflation rate	3%
Cost-of-living increases to eligible participants	2%

The discount rate was set equal to the long-term expected rate of return. The long-term expected rate of return was used as current assets are expected to be sufficient to cover all future benefit payments and expenses due to the magnitude of the Plan's 447% funded ratio and average age of 82 for the 16 Plan members.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8: PIEDMONT POLICE AND FIRE PENSION PLAN (CLOSED PLAN) (CONTINUED)

The 6% long-term expected rate of return was derived based on the inflation assumption of 3% and a real rate of return net of investment expenses of 3.5%, reduced by a margin for adverse deviation of 0.5%. The net real rate of return was based on an assumed long-term asset allocation of 58% equities, 39% fixed, and 3% cash with geometric rates of return of 5.35%, 0.82%, and 0.45% respectively and a 0.30% reduction for investment expenses. The sensitivity of the net pension liability to a 1% change in the discount rate is shown below:

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
Net pension liability (asset)	(\$8,899,696)	(\$9,100,220)	(\$9,275,421)

Mortality Assumptions

Service retirements and beneficiaries	California PERS mortality table for healthy recipients (based on CalPERS 2006-2011 experience), with recognition of future mortality improvement utilizing Society of Actuaries Scale MP-2014
Disability retirements	California PERS mortality table for healthy recipients (based on CalPERS 2006-2011 experience), with recognition of future mortality improvement utilizing Society of Actuaries Scale MP-2014

Disclosures under GASB No. 67

GASB No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, requires that a valuation be performed as of the pension plan's fiscal year-end date. If the valuation is not performed, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier valuation. As separate financial statements are not available for the Piedmont Police and Fire Pension Plan, the amounts below present the Plan's financial status based on a rollforward of the June 30, 2014 valuation.

<u>Net Pension Liability (Asset)</u>	
Discount rate	6.00%
Total pension liability	\$ 2,479,903
Plan fiduciary net position	<u>(11,860,865)</u>
City's net pension liability (asset)	<u>\$ (9,380,962)</u>
Plan fiduciary net position as a percentage of the total pension liability	478%

The sensitivity of the net pension liability to a 1% change in the discount rate:

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
Net pension liability (asset)	(\$9,195,201)	(\$9,380,962)	(\$9,543,630)

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: OTHER POST EMPLOYMENT BENEFITSPlan Description

Effective January 1, 1997, all City employees were enrolled in the PERS Health Care Plan. The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays healthcare coverage up to a cap for eligible retirees and their dependents. This cap is calculated using the 5% unequal method. Under this method, the City must contribute an amount equal to 5% times years in PEMHCA (with a limit in the increase in the monthly City contributions of \$100/year). The City paid \$329,128 on behalf of 36 retirees during the fiscal year ended June 30, 2015.

The City reports the financial activity of the other post-employment benefits (OPEB) in the fiduciary OPEB Trust Fund, and no separate financial report is prepared.

In fiscal 2010, the City established an OPEB irrevocable trust with the City Administrator and Finance Director acting as trustee for the OPEB Trust Fund.

A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

Retirement eligibility	<ul style="list-style-type: none"> Retire directly from the City Age 50 and 5 years CalPERS service or disability retirement 															
Retiree medical benefit	<ul style="list-style-type: none"> PEMHCA unequal method Percentage of active contribution with percentage equal to 5% multiplied by years in PEMHCA, up to a maximum increase of \$100/month for a given year. City jointed PEMHCA in 1997. City contributes full Kaiser premium for employees and dependents 2012 retiree healthcare monthly caps: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right; border-bottom: 1px solid black;">Pre-Medicare</th> <th style="text-align: right; border-bottom: 1px solid black;">Medicare</th> </tr> </thead> <tbody> <tr> <td>Single:</td> <td style="text-align: right;">\$457.83</td> <td style="text-align: right;">\$208.36</td> </tr> <tr> <td>2-party:</td> <td style="text-align: right;">\$767.36</td> <td style="text-align: right;">\$416.72</td> </tr> <tr> <td>Family:</td> <td style="text-align: right;">\$847.26</td> <td style="text-align: right;">N/A</td> </tr> <tr> <td>2 party: basic & medicare</td> <td style="text-align: right;">N/A</td> <td style="text-align: right;">\$667.36</td> </tr> </tbody> </table> 		Pre-Medicare	Medicare	Single:	\$457.83	\$208.36	2-party:	\$767.36	\$416.72	Family:	\$847.26	N/A	2 party: basic & medicare	N/A	\$667.36
	Pre-Medicare	Medicare														
Single:	\$457.83	\$208.36														
2-party:	\$767.36	\$416.72														
Family:	\$847.26	N/A														
2 party: basic & medicare	N/A	\$667.36														
	<ul style="list-style-type: none"> Fire and police retirees hired before 10/1/84 receive additional contribution equal to difference between Kaiser single premium and current single retiree cap until age 65. Premiums are paid for 2 non-PEMHCA retirees. 															
Employee Contributions	<ul style="list-style-type: none"> Active employees who are or may become eligible for retiree medical benefits upon retirement are required to contribute \$50 each semi-monthly pay period beginning July 1, 2012 (August 1, 2012 for Police). These contributions are not refundable. 															
Surviving Spouse Benefit	<ul style="list-style-type: none"> A benefit is payable to the surviving spouse if form of benefit including survivor continuance was elected in the retirement plan. 															
Medicare Part B Reimbursement, Non-PEMHCA Medical, Dental, Vision, and Life	<ul style="list-style-type: none"> None 															

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)Funding Policy

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount which was determined as part of a June 30, 2015 actuarial valuation. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less than every three years.

The City's funding policy is to contribute a minimum of \$312,000 to the OPEB irrevocable trust each year, commencing in fiscal year 2012, in addition to paying plan benefits to retirees ("pay-as-you-go") until such time as that combined contribution exceeds the ARC. For the fiscal year ended June 30, 2015, the City contributed \$312,000 to the OPEB irrevocable trust.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB unfunded actuarial accrued liability as of June 30, 2012 the date of the most recent actuarial valuation totaled \$4,135,522.

Annual required contribution	\$ 1,503,000
Amortization on the net OPEB obligation	(212,000)
Interest on the net OPEB obligation	<u>213,000</u>
Total annual OPEB cost	<u>1,504,000</u>
Contributions made:	
Premium paid	(329,128)
Contribution to OPEB trust	(312,000)
Contribution held by City for OPEB trust (a)	<u>(601,875)</u>
Total Contributions	<u>(1,243,003)</u>
Over (under) contribution of ARC	(260,997)
Net OPEB obligation, July 1, 2014	<u>3,874,525</u>
Net OPEB obligation, June 30, 2015	<u>\$ 4,135,522</u>

(a) Includes \$601,875 that was held by the City for the OPEB trust as of June 30, 2015.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2015 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2013	\$ 1,318,000	\$ 677,318	51.39 %	\$ 3,852,737
June 30, 2014	\$ 1,386,000	\$ 1,364,212	98.43 %	\$ 3,874,525
June 30, 2015	\$ 1,504,000	\$ 1,243,003	82.65 %	\$ 4,135,522

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)Funded Status and Funding Progress

The funded status of the plan based on an actuarial study using age-adjusted premiums as of June 30, 2015, was as follows:

Actuarial accrued liability (AAL)	
Active employees	\$ 8,920,000
Retired employees	<u>9,604,000</u>
	<u>18,524,000</u>
Actuarial value of plan assets	<u>5,218,561</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,305,439</u>
Funded Ratio (actuarial value of plan assets / AAL)	28 %
Covered payroll (active plan members)	\$ 9,097,000
UAAL as a percentage of covered payroll	146 %

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members, and include the types of plan benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The City's OPEB unfunded actuarial accrued liability is amortized over a fixed 24-year period as a level percentage of payroll. The actuarial assumptions include a 3.25% projected annual salary increase and a 3.0% inflation rate. Actuarial assumptions for the discount rates are as follows:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2010-11	4.50%
2011-12	5.50%
2012-13	6.00%
2013-14	6.75%
2014-15	6.75%

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10: FUND BALANCE

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non Spendable: Amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted: Amounts subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. This fund balance type is essentially the same definition as restricted net position under GASB Statement No. 34.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of City Council. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned: Amounts that are not restricted by the funding agency but are for specific purposes and assigned by City Council for that purpose. City Council's action in creating the fund is to ensure that the funds are used for their intended purpose. That purpose is not always planned for the current fiscal year as it may take several years to build up a sufficient fund balance to be able to implement the stated purpose. This classification also represents all remaining amounts (except negative balances) reported in governmental funds, other than the general fund, that are not classified as non spendable, restricted, or committed.

Unassigned: Residual amounts in the general fund, not classified as non spendable, restricted, committed, or assigned. For other governmental fund types, unassigned is only used when a deficit or negative fund balance occurs.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Currently, the City Council has not committed any fund balances. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10: FUND BALANCE (CONTINUED)

As of June 30, 2015, fund balances were comprised of the following:

	<u>General Fund</u>	<u>Equipment Replacement & Facilities Maintenance</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted				
Projects and services	\$ -	\$ -	\$ 192,545	\$ 192,545
Street projects	-	-	495,332	495,332
Measure D	-	-	86,781	86,781
Measure B sales tax	-	-	117,959	117,959
Measure BB sales tax	-	-	79,133	79,133
Measure F	-	-	30,453	30,453
Athletic facility preservation	-	-	129,574	129,574
Abandoned vehicle	-	-	41,911	41,911
COPS	<u>297,881</u>	<u>-</u>	<u>-</u>	<u>297,881</u>
Total Restricted	<u>297,881</u>	<u>-</u>	<u>1,173,688</u>	<u>1,471,569</u>
Assigned				
Capital improvement	-	-	477,006	477,006
Equipment replacement	-	5,082,817	-	5,082,817
Sidewalk repair	-	-	54,858	54,858
Schoolmates program	-	-	316,387	316,387
Undergrounding administration	<u>-</u>	<u>-</u>	<u>40,141</u>	<u>40,141</u>
Total Assigned	<u>-</u>	<u>5,082,817</u>	<u>888,392</u>	<u>5,971,209</u>
Unassigned	<u>4,614,190</u>	<u>-</u>	<u>-</u>	<u>4,614,190</u>
Total Fund Balance	<u>\$ 4,912,071</u>	<u>\$ 5,082,817</u>	<u>\$ 2,062,080</u>	<u>\$ 12,056,968</u>

Fund Balance Deficits

As of June 30, 2015, the Employee Benefits Internal Service fund had a net deficit of \$4,135,522.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these risk pools exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. Obligations and liabilities of these risk pools are the City's responsibility.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11: RISK MANAGEMENT (CONTINUED)A. Risk Pools

General Liability - Bay Cities Joint Powers Insurance Authority (BCJPIA) covers general liability claims, including excess liability, in an amount up to \$29,000,000. The City has a deductible or uninsured liability of up to \$10,000 per claim. Once the City's deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2015, the City contributed \$401,105 for current year coverage.

Workers' Compensation - BCJPIA also covers workers' compensation liability in an amount up to \$1,000,000 per claim. The City has a deductible or uninsured liability of up to \$150,000 per claim. The Local Agency Workers' Compensation Excess Insurance Joint Powers Authority (LAWCX) covers workers' compensation claims in excess of \$1,000,000 per claim up to \$300,000,000. During the fiscal year ended June 30, 2015, the City contributed \$560,211 for current year coverage. The City also received a refund from prior year of \$7,666.

Financial statements for BCJPIA and LAWCX may be obtained from Bickmore & Associates, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City's contribution with each risk pool equals the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. 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.

B. Liability for Uninsured Claims

The City has retained the risk for the uninsured portion of the above claims as discussed above. Activity for the City's liability for uninsured claims was as follows for the year ended June 30, 2015:

	General Liability		Workers' Compensation		Total	
	2015	2014	2015	2014	2015	2014
Beginning balance	\$ 81,308	\$ 75,363	\$ 975,000	\$ 972,000	\$ 1,056,308	\$ 1,047,363
Incurred claims	49,181	36,196	560,211	199,487	609,392	235,683
Claims paid	<u>(35,979)</u>	<u>(30,251)</u>	<u>(493,211)</u>	<u>(196,487)</u>	<u>(529,190)</u>	<u>(226,738)</u>
Ending Balance	\$ <u>94,510</u>	\$ <u>81,308</u>	\$ <u>1,042,000</u>	\$ <u>975,000</u>	\$ <u>1,136,510</u>	\$ <u>1,056,308</u>
Current portion	\$ <u>24,609</u>	\$ <u>17,226</u>	\$ <u>325,055</u>	\$ <u>283,123</u>	\$ <u>349,664</u>	\$ <u>300,349</u>

NOTE 12: PARCEL TAX

The City of Piedmont is required by its code to refund or reduce subsequent taxes regarding any excess of the ending General Fund balance over 25 percent of that year's General Fund expenditures. General Fund balance at June 30, 2015 did not exceed the 25 percent of expenditures limitation.

	Amount
General fund expenditures	\$ 21,953,044
Fund balance limitation, 25% of expenditures	5,488,261
General fund balance at year end	<u>4,912,071</u>
Amount below fund balance limitation	<u>\$ 576,190</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and transfers (excluding extraordinary items) in excess of appropriations in the following amounts for the year ended June 30, 2015:

Fund	Excess Expenditures
General Fund	\$ 2,925,905
Streets Project	\$ 20,000
Measure D	\$ 38,663
Abandoned Vehicle	\$ 2,595
Measure B	\$ 190,349

The excess expenditures were covered by available fund balance in the funds.

NOTE 14: CONTINGENCIES AND COMMITMENTS

Grant Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

NOTE 15: PRIOR PERIOD ADJUSTMENT

As a result of implementing GASB Statement Nos. 68 and 71, the City has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013 by \$15,667,559. The decrease resulted from the following:

Recording of net pension liability	\$ (27,057,194)
Recording of net pension asset (police and fire)	9,100,220
Application of 2013-14 contributions	<u>2,289,415</u>
Total Prior Period Adjustment	<u>\$ (15,667,559)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PIEDMONT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
REVENUES				
Property taxes	\$ 10,534,880	\$ 10,534,880	\$ 10,846,057	\$ 311,177
Sales tax	150,000	150,000	260,223	110,223
Franchise tax	405,000	405,000	445,590	40,590
Utility users tax	1,255,000	1,255,000	1,141,790	(113,210)
Real property transfer tax	2,800,000	2,800,000	3,901,252	1,101,252
Business licenses and rental tax	440,000	440,000	511,611	71,611
Licenses and permits	428,500	428,500	516,580	88,080
Intergovernmental	1,390,808	1,390,808	1,589,360	198,552
Use of money and property	412,600	412,600	548,042	135,442
Parcel tax	1,660,000	1,660,000	1,647,223	(12,777)
Charges for services	2,617,200	2,617,200	2,869,845	252,645
Other revenues	90,000	90,000	136,949	46,949
	<u>22,183,988</u>	<u>22,183,988</u>	<u>24,414,522</u>	<u>2,230,534</u>
Total Revenues				
EXPENDITURES				
Current:				
Administration	2,439,695	2,464,695	2,247,789	216,906
Public works	4,048,815	4,017,815	3,928,797	89,018
Public safety:				
Police services	5,623,567	5,569,267	5,530,749	38,518
Fire services	5,201,850	5,288,903	4,988,751	300,152
Recreation	2,422,340	2,524,340	2,345,285	179,055
Nondepartmental	1,628,471	2,911,673	2,911,673	-
Capital outlay	-	-	-	-
Total Expenditures	<u>21,364,738</u>	<u>22,776,693</u>	<u>21,953,044</u>	<u>823,649</u>
Excess (deficiency) of revenues over expenditures	<u>819,250</u>	<u>(592,705)</u>	<u>2,461,478</u>	<u>1,406,885</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,243,000	1,229,459	1,172,979	(56,480)
Transfers out	<u>(2,213,964)</u>	<u>(3,425,703)</u>	<u>(3,425,703)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(970,964)</u>	<u>(2,196,244)</u>	<u>(2,252,724)</u>	<u>(56,480)</u>
Net change in fund balance	<u>\$ (151,714)</u>	<u>\$ (2,788,949)</u>	<u>208,754</u>	<u>\$ 1,350,405</u>
Fund balance - July 1, 2014			<u>4,703,317</u>	
Fund balance - June 30, 2015			<u>\$ 4,912,071</u>	

**CITY OF PIEDMONT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2015**

Budgetary Information

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Budgetary Controls

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City Council approves total appropriations on a departmental basis. Budgetary comparison schedules are presented for all funds except for the Undergrounding Administration Special Revenue Fund and the Measure F Special Revenue Fund. The budgetary comparison schedules present both the original adopted budget and the final budget with all amendments.

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Prepared for the City's Miscellaneous and Safety Plans, Cost Sharing Defined Benefit Pension Plans
As of June 30, 2015
Last 10 Years ***

	2015					
	Miscellaneous			Safety		
	Tier I	Tier II	Tier III	Tier I	Tier II	Tier III
Proportion of the net pension liability	0.07500 %	0.00001 %	0.00001 %	0.17250 %	0.00008 %	0.00013 %
Proportionate share of the net pension liability	\$ 4,668,967	\$ 821	\$ 1,016	\$ 10,741,858	\$ (1,523)	\$ 8,503
Covered - employee payroll	\$ 3,377,666	\$ 177,988	\$ 174,753	\$ 4,292,884	\$ 428,002	\$ 301,645
Proportionate share of the net pension liability as a percentage of covered - employee payroll	138.23 %	0.46 %	0.58 %	250.22 %	(0.36)%	2.82 %
Plan's fiduciary net position	\$ 23,650,696	\$ 3,394	\$ 4,309	\$ 48,696,036	\$ 21,786	\$ 34,903
Plan fiduciary net position as a percentage of the total pension liability	83.52 %	83.02 %	83.04 %	81.94 %	81.42 %	81.42 %

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

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS
Prepared for the City's Miscellaneous and Cost Sharing Plans,
Cost Sharing Defined Benefit Pension Plans
As of June 30, 2015
Last 10 Years ***

	2015					
	Miscellaneous			Safety		
	Tier I	Tier II	Tier III	Tier I	Tier II	Tier III
Contractually required contribution (actuarially determined)	\$ 759,330	\$ 18,445	\$ 17,088	\$ 1,829,208	\$ 75,180	\$ 40,157
Contributions in relation to the actuarially determined contributions	<u>759,330</u>	<u>18,445</u>	<u>17,088</u>	<u>1,824,975</u>	<u>80,044</u>	<u>40,157</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,233</u>	<u>\$ (4,864)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 3,377,666	\$ 177,988	\$ 174,753	\$ 4,292,884	\$ 428,002	\$ 301,645
Contributions as a percentage of covered - employee payroll	22.48 %	10.36 %	9.78 %	42.51 %	18.70 %	13.31 %

Notes to Schedule:

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies; 2.75% thereafter
Mortality rate table	Derived using CalPERS' membership data for all funds

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

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR POLICE AND FIRE PENSION (CLOSED PLAN)
Last 10 Years ***

	<u>2014-15</u>	<u>2013-14**</u>
Total Pension Liability		
Interest	\$ 148,635	\$ 156,380
Benefit payments, including refunds of employee contributions	<u>(287,785)</u>	<u>(283,192)</u>
Net change in total pension liability	(139,150)	(126,812)
Total pension liability - beginning	<u>2,619,053</u>	<u>2,745,865</u>
Total pension liability - ending (a)	<u>\$ 2,479,903</u>	<u>\$ 2,619,053</u>
Plan Fiduciary Net Position		
Net investment income	\$ 429,378	\$ 1,837,732
Benefit payments, including refunds of employee contributions	<u>(287,785)</u>	<u>(283,192)</u>
Net change in plan fiduciary net position	141,593	1,554,540
Plan fiduciary net position - beginning	<u>11,719,272</u>	<u>10,164,732</u>
Plan fiduciary net position - ending (b)	<u>\$ 11,860,865</u>	<u>\$ 11,719,272</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ (9,380,962)</u>	<u>\$ (9,100,219)</u>
Fiduciary net position as a percentage of total pension liability	478 %	447 %
Covered employee payroll	\$ -	\$ -
Net pension liability as percentage of covered employee payroll	N/A	N/A

The total pension liability as of June 30, 2013 is a roll-back of the June 30, 2014 total pension liability.

Employer Actuarial Determined Contribution for fiscal year June 30, 2015:

<u>Actuarial Valuation Date</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Employer Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>ADA as a % of Covered Payroll</u>
2014	\$ -	\$ -	\$ -	-	NA
2015	\$ -	\$ -	\$ -	-	NA

The actuarially determined contribution is based on the same assumptions as the net pension liability.

* Fiscal year 2014 was the 1st year of implementation of GASB No. 67, therefore only two years are shown.

**Measurement period for the June 30, 2015 City financial statements in accordance with GASB No. 68.

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
2009	\$ 12,536,000	\$ -	\$ 12,536,000	0%	\$ 8,281,000	151 %
2012	\$ 12,488,000	\$ 2,486,000	\$ 10,002,000	19.9%	\$ 8,210,000	122 %
2015	\$ 18,524,000	\$ 5,218,561	\$ 13,305,439	28.17%	\$ 9,097,000	146 %

COMBINING FINANCIAL SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

Streets Project - accounts for revenues and expenditures associated with the maintenance and improvements of the City's roads and street landscaping that is funded through the receipt of the City's share of the gas tax.

Schoolmates Program - accounts for the operation of the before- and after-school child care program for elementary school age children operated by the Piedmont Recreation Department.

Projects and Services - accounts for both the Private Contribution Fund and the Traffic Safety Fund. The Private Contribution Fund is used to account for all citizen and other private contributions and donations to the City. The Traffic Safety Fund is used to account for traffic ticket fine revenues and fine revenues collected by other entities and allocated to the City.

Measure D - accounts for surcharges collected for the continuation and expansion of municipal recycling programs.

Sidewalk Repair - accounts for sidewalk reimbursement revenue associated with the repair/replacement of City sidewalks under article V, section 18.26 of the City code.

Abandoned Vehicle - accounts for abandoned vehicle abatement funding as the City is a participant in the Alameda County Abandoned Vehicle Program for receiving reimbursement of expenses arising from the investigation of reported abandoned vehicles.

Undergrounding Administration - accounts for administrative costs arising from the City's role as debt payment Fiscal Agent for various utility undergrounding projects.

Measure B Sales Tax - accounts for a tax approved by Alameda County voters in November 2000 to provide programmatic pass-through funds for bicycle and pedestrian paths & safety improvements, mass transit, paratransit, and local streets and roads projects.

Measure BB Sales Tax - accounts for a tax approved by Alameda County voters in November 2014 for the direct funding for local street projects and bicycle and pedestrian projects based on population and road mileage.

Measure F - accounts for the additional \$10 fee associated with registering a vehicle in the County. Fees are restricted to reduce traffic congestion and vehicle related pollution.

Athletic Facility Preservation - accounts for funds to be used for repairing, refurbishing, and replacing City athletic facilities.

CAPITAL PROJECT FUNDS

Capital Improvement - accounts for the City's major capital projects.

DEBT SERVICE FUNDS

2014 Taxable Pension Obligation Bonds - accounts for principal and interest associated with the payoff of the CalPERS side funds.

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

Special Revenue Funds

	Street Projects	Schoolmates Program	Projects and Services	Measure D	Sidewalk Repair
ASSETS					
Cash and investments	\$ 495,332	\$ 317,348	\$ 191,903	\$ 79,276	\$ 54,858
Receivables:					
Accounts	<u> -</u>	<u> 16,335</u>	<u> 1,847</u>	<u> 7,510</u>	<u> -</u>
Total Assets	<u>\$ 495,332</u>	<u>\$ 333,683</u>	<u>\$ 193,750</u>	<u>\$ 86,786</u>	<u>\$ 54,858</u>
LIABILITIES					
Accounts payable	\$ -	\$ 7,390	\$ 1,205	\$ 5	\$ -
Accrued payroll and benefits	<u> -</u>	<u> 9,906</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total Liabilities	<u> -</u>	<u> 17,296</u>	<u> 1,205</u>	<u> 5</u>	<u> -</u>
FUND BALANCES					
Restricted	495,332	-	192,545	86,781	-
Assigned	<u> -</u>	<u> 316,387</u>	<u> -</u>	<u> -</u>	<u> 54,858</u>
Total Fund Balances	<u>495,332</u>	<u>316,387</u>	<u>192,545</u>	<u>86,781</u>	<u>54,858</u>
Total Liabilities and Fund Balances	<u>\$ 495,332</u>	<u>\$ 333,683</u>	<u>\$ 193,750</u>	<u>\$ 86,786</u>	<u>\$ 54,858</u>

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

Special Revenue Funds

	Abandoned Vehicle	Undergrounding Administration	Measure B Sales Tax	Measure BB Sales Tax	Measure F
ASSETS					
Cash and investments	\$ 41,911	\$ 40,141	\$ 89,970	\$ -	\$ 21,775
Receivables:					
Accounts	<u>-</u>	<u>-</u>	<u>111,196</u>	<u>79,133</u>	<u>8,678</u>
Total Assets	<u>\$ 41,911</u>	<u>\$ 40,141</u>	<u>\$ 201,166</u>	<u>\$ 79,133</u>	<u>\$ 30,453</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 83,207	\$ -	\$ -
Accrued payroll and benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>83,207</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	41,911	-	117,959	79,133	30,453
Assigned	<u>-</u>	<u>40,141</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>41,911</u>	<u>40,141</u>	<u>117,959</u>	<u>79,133</u>	<u>30,453</u>
Total Liabilities and Fund Balances	<u>\$ 41,911</u>	<u>\$ 40,141</u>	<u>\$ 201,166</u>	<u>\$ 79,133</u>	<u>\$ 30,453</u>

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

	Special Revenue	Capital Projects	Debt Service	
	Athletic Facility Preservation	Capital Improvement	2014 Taxable Pension Obligation Bonds	Total Non-major Governmental Funds
ASSETS				
Cash and investments	\$ 127,094	\$ 478,456	\$ -	\$ 1,938,064
Receivables:				
Accounts	<u>2,480</u>	<u>-</u>	<u>-</u>	<u>227,179</u>
Total Assets	<u>\$ 129,574</u>	<u>\$ 478,456</u>	<u>\$ -</u>	<u>\$ 2,165,243</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,450	\$ -	\$ 93,257
Accrued payroll and benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,906</u>
Total Liabilities	<u>-</u>	<u>1,450</u>	<u>-</u>	<u>103,163</u>
FUND BALANCES				
Restricted	129,574	-	-	1,173,688
Assigned	<u>-</u>	<u>477,006</u>	<u>-</u>	<u>888,392</u>
Total Fund Balances	<u>129,574</u>	<u>477,006</u>	<u>-</u>	<u>2,062,080</u>
Total Liabilities and Fund Balances	<u>\$ 129,574</u>	<u>\$ 478,456</u>	<u>\$ -</u>	<u>\$ 2,165,243</u>

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

Special Revenue Funds

	<u>Street Project</u>	<u>Schoolmates Program</u>	<u>Projects and Services</u>	<u>Measure D</u>	<u>Sidewalk Repair</u>
<u>REVENUES</u>					
Gas tax	\$ 325,946	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Use of money and property	107	922	3	-	-
Charges for services	-	912,533	-	-	-
Measure B tax	-	-	-	-	-
Contributions and donations	-	-	67,579	-	-
Other revenue	-	-	-	37,721	6,952
Total Revenues	<u>326,053</u>	<u>913,455</u>	<u>67,582</u>	<u>37,721</u>	<u>6,952</u>
<u>EXPENDITURES</u>					
Current:					
Administration	-	-	-	-	-
Public works	-	-	-	75,926	-
Street improvements	-	-	-	-	-
Recreation	-	777,613	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>777,613</u>	<u>-</u>	<u>75,926</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>326,053</u>	<u>135,842</u>	<u>67,582</u>	<u>(38,205)</u>	<u>6,952</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	(320,000)	(46,436)	(4,447)	(17,737)	-
Total Other Financing Sources (Uses)	<u>(320,000)</u>	<u>(46,436)</u>	<u>(4,447)</u>	<u>(17,737)</u>	<u>-</u>
Net change in fund balances	6,053	89,406	63,135	(55,942)	6,952
Fund balances - July 1, 2014	<u>489,279</u>	<u>226,981</u>	<u>129,410</u>	<u>142,723</u>	<u>47,906</u>
Fund balances - June 30, 2015	<u>\$ 495,332</u>	<u>\$ 316,387</u>	<u>\$ 192,545</u>	<u>\$ 86,781</u>	<u>\$ 54,858</u>

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

Special Revenue Funds

	Abandoned Vehicle	Undergrounding Administration	Measure B Sales Tax	Measure BB Sales Tax	Measure F
REVENUES					
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,663	-	-	79,133	48,122
Use of money and property	-	-	327	-	555
Charges for services	-	-	-	-	-
Measure B tax	-	-	467,244	-	-
Contributions and donations	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenues	<u>4,663</u>	<u>-</u>	<u>467,571</u>	<u>79,133</u>	<u>48,677</u>
EXPENDITURES					
Current:					
Administration	2,595	18,797	-	-	100
Public works	-	-	-	-	-
Street improvements	-	-	369,828	-	-
Recreation	-	-	-	-	-
Capital outlay	-	-	375,921	-	160,000
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>2,595</u>	<u>18,797</u>	<u>745,749</u>	<u>-</u>	<u>160,100</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,068</u>	<u>(18,797)</u>	<u>(278,178)</u>	<u>79,133</u>	<u>(111,423)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,068	(18,797)	(278,178)	79,133	(111,423)
Fund balances - July 1, 2014	<u>39,843</u>	<u>58,938</u>	<u>396,137</u>	<u>-</u>	<u>141,876</u>
Fund balances - June 30, 2015	<u>\$ 41,911</u>	<u>\$ 40,141</u>	<u>\$ 117,959</u>	<u>\$ 79,133</u>	<u>\$ 30,453</u>

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

	Special Revenue	Capital Projects	Debt Service	
	Athletic Facility Preservation	Capital Improvement	2014 Taxable Pension Obligation Bonds	Total Non-major Governmental Funds
<u>REVENUES</u>				
Gas tax	\$ -	\$ -	\$ -	\$ 325,946
Intergovernmental	-	32,428	-	164,346
Use of money and property	-	-	-	1,914
Charges for services	111,584	-	-	1,024,117
Measure B tax	-	-	-	467,244
Contributions and donations	19,000	-	-	86,579
Other revenue	-	-	-	44,673
Total Revenues	<u>130,584</u>	<u>32,428</u>	<u>-</u>	<u>2,114,819</u>
<u>EXPENDITURES</u>				
Current:				
Administration	-	-	-	21,492
Public works	-	7,523	-	83,449
Street improvements	-	-	-	369,828
Recreation	29,580	-	-	807,193
Capital outlay	-	44,776	-	580,697
Debt service:				
Principal	-	-	1,044,000	1,044,000
Interest and fiscal charges	-	-	187,658	187,658
Total Expenditures	<u>29,580</u>	<u>52,299</u>	<u>1,231,658</u>	<u>3,094,317</u>
Excess (Deficiency) of Revenues over Expenditures	<u>101,004</u>	<u>(19,871)</u>	<u>(1,231,658)</u>	<u>(979,498)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	1,231,658	1,231,658
Transfers out	-	-	-	(388,620)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,231,658</u>	<u>843,038</u>
Net change in fund balances	101,004	(19,871)	-	(136,460)
Fund balances - July 1, 2014	<u>28,570</u>	<u>496,877</u>	<u>-</u>	<u>2,198,540</u>
Fund balances - June 30, 2015	<u>\$ 129,574</u>	<u>\$ 477,006</u>	<u>\$ -</u>	<u>\$ 2,062,080</u>

CITY OF PIEDMONT
STREET PROJECTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Gas tax	\$ 277,700	\$ 277,700	\$ 325,946	\$ 48,246
Use of money and property	<u>1</u>	<u>1</u>	<u>107</u>	<u>106</u>
Total Revenues	<u>277,701</u>	<u>277,701</u>	<u>326,053</u>	<u>48,352</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>277,701</u>	<u>277,701</u>	<u>326,053</u>	<u>48,352</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(280,000)</u>	<u>(300,000)</u>	<u>(320,000)</u>	<u>(20,000)</u>
Total Other Financing Sources (Uses)	<u>(280,000)</u>	<u>(300,000)</u>	<u>(320,000)</u>	<u>(20,000)</u>
Net change in fund balance	\$ <u>(2,299)</u>	\$ <u>(22,299)</u>	<u>6,053</u>	\$ <u>28,352</u>
Fund balance - July 1, 2014			<u>489,279</u>	
Fund balance - June 30, 2015			\$ <u>495,332</u>	

CITY OF PIEDMONT
SCHOOLMATES PROGRAM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
			Amounts	(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 600	\$ 600	\$ 922	\$ 322
Charges for services	<u>855,000</u>	<u>855,000</u>	<u>912,533</u>	<u>57,533</u>
Total Revenues	<u>855,600</u>	<u>855,600</u>	<u>913,455</u>	<u>57,855</u>
<u>EXPENDITURES</u>				
Current:				
Recreation	789,025	789,025	777,613	11,412
Capital outlay	<u>7,000</u>	<u>21,346</u>	-	<u>21,346</u>
Total Expenditures	<u>796,025</u>	<u>810,371</u>	<u>777,613</u>	<u>32,758</u>
Excess (deficiency) of revenues over expenditures	<u>59,575</u>	<u>45,229</u>	<u>135,842</u>	<u>90,613</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(30,000)</u>	<u>(60,000)</u>	<u>(46,436)</u>	<u>13,564</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(60,000)</u>	<u>(46,436)</u>	<u>13,564</u>
Net change in fund balance	<u>\$ 29,575</u>	<u>\$ (14,771)</u>	<u>89,406</u>	<u>\$ 104,177</u>
Fund balance - July 1, 2014			<u>226,981</u>	
Fund balance - June 30, 2015			<u>\$ 316,387</u>	

CITY OF PIEDMONT
PROJECTS AND SERVICES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 3	\$ 3
Contributions and donations	<u>95,000</u>	<u>95,000</u>	<u>67,579</u>	<u>(27,421)</u>
Total Revenues	<u>95,000</u>	<u>95,000</u>	<u>67,582</u>	<u>(27,418)</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>95,000</u>	<u>95,000</u>	<u>67,582</u>	<u>(27,418)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(90,000)</u>	<u>(55,000)</u>	<u>(4,447)</u>	<u>50,553</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(55,000)</u>	<u>(4,447)</u>	<u>50,553</u>
Net change in fund balance	<u>\$ 5,000</u>	<u>\$ 40,000</u>	<u>63,135</u>	<u>\$ 23,135</u>
Fund balance - July 1, 2014			<u>129,410</u>	
Fund balance - June 30, 2015			<u>\$ 192,545</u>	

CITY OF PIEDMONT
MEASURE D - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 200	\$ -	\$ -	\$ -
Other revenues	<u>36,000</u>	<u>36,000</u>	<u>37,721</u>	<u>1,721</u>
Total Revenues	<u>36,200</u>	<u>36,000</u>	<u>37,721</u>	<u>1,721</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>41,000</u>	<u>41,000</u>	<u>75,926</u>	<u>(34,926)</u>
Total Expenditures	<u>41,000</u>	<u>41,000</u>	<u>75,926</u>	<u>(34,926)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,800)</u>	<u>(5,000)</u>	<u>(38,205)</u>	<u>(33,205)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(13,000)</u>	<u>(14,000)</u>	<u>(17,737)</u>	<u>(3,737)</u>
Total Other Financing Sources (Uses)	<u>(13,000)</u>	<u>(14,000)</u>	<u>(17,737)</u>	<u>(3,737)</u>
Net change in fund balance	<u>\$ (17,800)</u>	<u>\$ (19,000)</u>	<u>(55,942)</u>	<u>\$ (36,942)</u>
Fund balance - July 1, 2014			<u>142,723</u>	
Fund balance - June 30, 2015			<u>\$ 86,781</u>	

CITY OF PIEDMONT
SIDEWALK REPAIR - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Other revenues	\$ 3,000	\$ 3,000	\$ 6,952	\$ 3,952
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>6,952</u>	<u>3,952</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>3,000</u>	<u>3,000</u>	-	<u>3,000</u>
Total Expenditures	<u>3,000</u>	<u>3,000</u>	-	<u>3,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,952</u>	<u>\$ 6,952</u>
Fund balance - July 1, 2014			<u>47,906</u>	
Fund balance - June 30, 2015			<u>\$ 54,858</u>	

CITY OF PIEDMONT
ABANDONED VEHICLE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ 3,000	\$ 3,000	\$ 4,663	\$ 1,663
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>4,663</u>	<u>1,663</u>
<u>EXPENDITURES</u>				
Current:				
Public safety	-	-	2,595	(2,595)
Total Expenditures	-	-	2,595	(2,595)
Net change in fund balance	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>2,068</u>	<u>\$ (932)</u>
Fund balance - July 1, 2014			<u>39,843</u>	
Fund balance - June 30, 2015			<u>\$ 41,911</u>	

CITY OF PIEDMONT
MEASURE B SALES TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 327	\$ 327
Measure B tax	<u>412,000</u>	<u>-</u>	<u>467,244</u>	<u>467,244</u>
Total Revenues	<u>412,000</u>	<u>-</u>	<u>467,571</u>	<u>467,571</u>
<u>EXPENDITURES</u>				
Current:				
Street improvements	208,400	208,400	369,828	(161,428)
Capital outlay	<u>347,000</u>	<u>347,000</u>	<u>375,921</u>	<u>(28,921)</u>
Total Expenditures	<u>555,400</u>	<u>555,400</u>	<u>745,749</u>	<u>(190,349)</u>
Net change in fund balance	<u>\$ (143,400)</u>	<u>\$ (555,400)</u>	<u>(278,178)</u>	<u>\$ 277,222</u>
Fund balance - July 1, 2014			<u>396,137</u>	
Fund balance - June 30, 2015			<u>\$ 117,959</u>	

CITY OF PIEDMONT
MEASURE BB SALES TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original*	Final*	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ -	\$ -	\$ 79,133	\$ 79,133
Total Revenues	-	-	79,133	79,133
<u>EXPENDITURES</u>				
Total Expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	79,133	\$ 79,133
Fund balance - July 1, 2014			-	
Fund balance - June 30, 2015			\$ 79,133	

*No budget was adopted for the Measure BB Fund for the year ended June 30, 2015.

CITY OF PIEDMONT
ATHLETIC FACILITY PRESERVATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Charges for services	\$ 55,000	\$ 55,000	\$ 111,584	\$ 56,584
Contributions and donations	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>19,000</u>
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>130,584</u>	<u>75,584</u>
<u>EXPENDITURES</u>				
Current:				
Recreation	<u>30,000</u>	<u>30,000</u>	<u>29,580</u>	<u>420</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>29,580</u>	<u>420</u>
Net change in fund balance	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>101,004</u>	<u>\$ 76,004</u>
Fund balance - July 1, 2014			<u>28,570</u>	
Fund balance - June 30, 2015			<u>\$ 129,574</u>	

CITY OF PIEDMONT
CAPITAL IMPROVEMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual Amounts	
<u>REVENUES</u>				
Intergovernmental	\$ _____ -	\$ 25,000	\$ 32,428	\$ 7,428
Total Revenues	_____ -	25,000	32,428	7,428
<u>EXPENDITURES</u>				
Current:				
Public works	26,374	26,374	7,523	18,851
Capital outlay	<u>72,134</u>	<u>97,134</u>	<u>44,776</u>	<u>52,358</u>
Total Expenditures	<u>98,508</u>	<u>123,508</u>	<u>52,299</u>	<u>71,209</u>
Net change in fund balance	\$ <u>(98,508)</u>	\$ <u>(98,508)</u>	<u>(19,871)</u>	\$ <u>78,637</u>
Fund balance - July 1, 2014			<u>496,877</u>	
Fund balance - June 30, 2015			\$ <u>477,006</u>	

CITY OF PIEDMONT
2014 PENSION OBLIGATION BONDS - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2014 - 2015		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Total Revenues	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
<u>EXPENDITURES</u>				
Current:				
Debt service - principal	1,041,000	1,041,000	1,044,000	(3,000)
Debt service - interest	<u>202,964</u>	<u>202,964</u>	<u>187,658</u>	<u>15,306</u>
Total Expenditures	<u>1,243,964</u>	<u>1,243,964</u>	<u>1,231,658</u>	<u>12,306</u>
Excess (deficiency) of revenues over expenditures	<u>(1,243,964)</u>	<u>(1,243,964)</u>	<u>(1,231,658)</u>	<u>12,306</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>1,243,964</u>	<u>1,234,564</u>	<u>1,231,658</u>	<u>(2,906)</u>
Net change in fund balance	\$ _____ -	\$ _____ (9,400)	_____ -	\$ _____ 9,400
Fund balance - July 1, 2014			_____ -	
Fund balance - June 30, 2015			\$ _____ -	

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, 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 and expenses of each internal service fund are eliminated by netting them against the operations of the City departments that 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.

CITY OF PIEDMONT
COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

Governmental Activities - Internal Service Funds

	Employee Benefits	Workers' Compensation	Insurance Liabilities	Total Internal Service Funds
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ 1,452,065	\$ 1,659,991	\$ 391,171	\$ 3,503,227
Total Current Assets	1,452,065	1,659,991	391,171	3,503,227
Total Assets	\$ 1,452,065	\$ 1,659,991	\$ 391,171	\$ 3,503,227
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 601,875	\$ 31,556	\$ 3,798	\$ 637,229
Compensated absences - current	406,438	-	-	406,438
Claims payable - current	-	325,055	24,609	349,664
Total Current Liabilities	1,008,313	356,611	28,407	1,393,331
Non-Current Liabilities				
Compensated absences	443,752	-	-	443,752
Claims payable	-	716,945	69,901	786,846
Net OPEB obligation	4,135,522	-	-	4,135,522
Total Non-Current Liabilities	4,579,274	716,945	69,901	5,366,120
Total Liabilities	5,587,587	1,073,556	98,308	6,759,451
<u>NET POSITION:</u>				
Unrestricted	(4,135,522)	586,435	292,863	(3,256,224)
Total Net Position	(4,135,522)	586,435	292,863	(3,256,224)
Total Liabilities and Net Position	\$ 1,452,065	\$ 1,659,991	\$ 391,171	\$ 3,503,227

CITY OF PIEDMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

Governmental Activities - Internal Service Funds

	<u>Employee Benefits</u>	<u>Workers' Compensation</u>	<u>Insurance Liabilities</u>	<u>Total Internal Service Funds</u>
<u>OPERATING REVENUES</u>				
Total Operating Revenue	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
<u>OPERATING EXPENSES</u>				
Net OPEB expense	862,872	-	-	862,872
Insurance and claims expenses	_____ -	<u>868,887</u>	<u>414,307</u>	<u>1,283,194</u>
Total Operating Expenses	<u>862,872</u>	<u>868,887</u>	<u>414,307</u>	<u>2,146,066</u>
Operating Income (Loss)	<u>(862,872)</u>	<u>(868,887)</u>	<u>(414,307)</u>	<u>(2,146,066)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Other income	<u>601,875</u>	<u>1,126,875</u>	<u>425,000</u>	<u>2,153,750</u>
Total Non-Operating Revenues	<u>601,875</u>	<u>1,126,875</u>	<u>425,000</u>	<u>2,153,750</u>
Change in net position	(260,997)	257,988	10,693	7,684
Net Position - July 1, 2014	<u>(3,874,525)</u>	<u>328,447</u>	<u>282,170</u>	<u>(3,263,908)</u>
Net Position - June 30, 2015	<u>\$ (4,135,522)</u>	<u>\$ 586,435</u>	<u>\$ 292,863</u>	<u>\$ (3,256,224)</u>

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

	Governmental Activities - Internal Service Funds			
	Employee Benefits	Workers Compensation	Insurance Liabilities	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Claims and premiums paid	\$ -	\$ (781,221)	\$ (399,219)	\$ (1,180,440)
Cash paid to employees	<u>(730,464)</u>	<u>-</u>	<u>-</u>	<u>(730,464)</u>
Net Cash Used for Operating Activities	<u>(730,464)</u>	<u>(781,221)</u>	<u>(399,219)</u>	<u>(1,910,904)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Other income	<u>601,875</u>	<u>1,126,875</u>	<u>425,000</u>	<u>2,153,750</u>
Net Cash Provided by Non-Capital Financing Activities	<u>601,875</u>	<u>1,126,875</u>	<u>425,000</u>	<u>2,153,750</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(128,589)	345,654	25,781	242,846
Cash and Cash Equivalents - July 1, 2014	<u>1,580,654</u>	<u>1,314,337</u>	<u>365,390</u>	<u>3,260,381</u>
Cash and Cash Equivalents - June 30, 2015	<u>\$ 1,452,065</u>	<u>\$ 1,659,991</u>	<u>\$ 391,171</u>	<u>\$ 3,503,227</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</u>				
Operating Loss	(862,872)	(868,887)	(414,307)	(2,146,066)
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(217,479)	20,666	1,886	(194,927)
Increase in compensated absences	88,890	-	-	88,890
Increase in claims payable	-	67,000	13,202	80,202
Increase in net OPEB obligation	<u>260,997</u>	<u>-</u>	<u>-</u>	<u>260,997</u>
Net Cash Used for Operating Activities	<u>\$ (730,464)</u>	<u>\$ (781,221)</u>	<u>\$ (399,219)</u>	<u>\$ (1,910,904)</u>

AGENCY FUNDS

All agency funds, representing all fiduciary funds of the City, are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

These funds are presented separately from the Governmental and Fund Financial Statements.

CITY OF PIEDMONT
COMBINING SCHEDULE OF NET POSITION
AGENCY FUNDS
JUNE 30, 2015

	<u>Dudley/Blair</u>	<u>Wildwood/ Crocker</u>	<u>Piedmont Hills Underground</u>	<u>Totals</u>
<u>ASSETS</u>				
Restricted cash and investments	\$ 148,059	\$ 53,246	\$ 252,780	\$ 454,085
Accounts receivable	<u>884</u>	<u>524</u>	<u>19,937</u>	<u>21,345</u>
Total Assets	<u>\$ 148,943</u>	<u>\$ 53,770</u>	<u>\$ 272,717</u>	<u>\$ 475,430</u>
<u>LIABILITIES</u>				
Deposits held in trust	<u>148,943</u>	<u>53,770</u>	<u>272,717</u>	<u>475,430</u>
Total Liabilities	<u>\$ 148,943</u>	<u>\$ 53,770</u>	<u>\$ 272,717</u>	<u>\$ 475,430</u>

CITY OF PIEDMONT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Dudley/Blair</u>				
ASSETS				
Restricted cash and investments	\$ 158,832	\$ -	\$ 10,773	\$ 148,059
Accounts receivable	<u>5,303</u>	<u>-</u>	<u>4,419</u>	<u>884</u>
Total Assets	<u>\$ 164,135</u>	<u>\$ -</u>	<u>\$ 15,192</u>	<u>\$ 148,943</u>
LIABILITIES				
Deposits in trust	<u>164,135</u>	<u>-</u>	<u>15,192</u>	<u>148,943</u>
Total Liabilities	<u>\$ 164,135</u>	<u>\$ -</u>	<u>\$ 15,192</u>	<u>\$ 148,943</u>
<u>Wildwood/Crocker</u>				
ASSETS				
Restricted cash and investments	\$ 61,692	\$ -	\$ 8,446	\$ 53,246
Accounts receivable	<u>-</u>	<u>524</u>	<u>-</u>	<u>524</u>
Total Assets	<u>\$ 61,692</u>	<u>\$ 524</u>	<u>\$ 8,446</u>	<u>\$ 53,770</u>
LIABILITIES				
Accounts payable	\$ 965	\$ -	\$ 965	\$ -
Deposits in trust	<u>60,727</u>	<u>-</u>	<u>6,957</u>	<u>53,770</u>
Total Liabilities	<u>\$ 61,692</u>	<u>\$ -</u>	<u>\$ 7,922</u>	<u>\$ 53,770</u>
<u>Piedmont Hills Underground</u>				
ASSETS				
Restricted cash and investments	\$ 282,938	\$ -	\$ 30,158	\$ 252,780
Accounts receivable	<u>10,574</u>	<u>9,363</u>	<u>-</u>	<u>19,937</u>
Total Assets	<u>\$ 293,512</u>	<u>\$ 9,363</u>	<u>\$ 30,158</u>	<u>\$ 272,717</u>
LIABILITIES				
Deposits payable	293,512	-	20,795	272,717
Deposits in trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 293,512</u>	<u>\$ -</u>	<u>\$ 20,795</u>	<u>\$ 272,717</u>
<u>Total Agency Funds</u>				
ASSETS				
Restricted cash and investments	\$ 503,462	\$ -	\$ 49,377	\$ 454,085
Accounts receivable	<u>15,877</u>	<u>9,887</u>	<u>4,419</u>	<u>21,345</u>
Total Assets	<u>\$ 519,339</u>	<u>\$ 9,887</u>	<u>\$ 53,796</u>	<u>\$ 475,430</u>
LIABILITIES				
Accounts payable	\$ 965	\$ -	\$ 965	\$ -
Deposits payable	293,512	-	20,795	272,717
Deposits in trust	<u>224,862</u>	<u>-</u>	<u>22,149</u>	<u>202,713</u>
Total Liabilities	<u>\$ 519,339</u>	<u>\$ -</u>	<u>\$ 43,909</u>	<u>\$ 475,430</u>

OTHER REPORTS



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council of
the City of Piedmont
Piedmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Piedmont's basic financial statements and have issued our report thereon dated January 26, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sacramento, California
January 26, 2016

CITY OF PIEDMONT
MEASURE B PROGRAM
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2015

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833

**CITY OF PIEDMONT
MEASURE B PROGRAM
FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure B Fund of the City of Piedmont as of and for the year ended June 30, 2015 and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Program of the City as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Measure B Fund of the City of Piedmont are intended to present the financial position and the changes in financial position of the City that is attributable to the transactions of the Fund. They do not purport to, and do not present fairly the financial position of the City of Piedmont as of June 30, 2015 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Sacramento, California
December 7, 2015

**CITY OF PIEDMONT
MEASURE B PROGRAM
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue Funds</u>			<u>Grant</u>		
	<u>ACTA Measure B</u>	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>	<u>Measure B</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and investments (Note 3)	\$ 2,374	\$ -	\$ 87,596	\$ 89,970	\$ -	\$ 89,970
Due from Streets & Roads & Grant	-	-	44,866	44,866	-	44,866
Other receivables	-	98,004	13,192	111,196	5,100	116,296
TOTAL ASSETS	\$ 2,374	\$ 98,004	\$ 145,654	\$ 246,032	\$ 5,100	\$ 251,132
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ 28,207	\$ 55,000	\$ 83,207	\$ -	\$ 83,207
Due to Bike & Pedestrian	-	44,866	-	44,866	5,100	49,966
TOTAL LIABILITIES	-	73,073	55,000	128,073	5,100	133,173
<u>FUND BALANCE</u>						
Restricted for Measure B programs & projects	2,374	24,931	90,654	117,959	-	117,959
TOTAL FUND BALANCE	2,374	24,931	90,654	117,959	-	117,959
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,374	\$ 98,004	\$ 145,654	\$ 246,032	\$ 5,100	\$ 251,132

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE B PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			Grant		
	ACTA Measure B	Streets and Roads	Bike and Pedestrian	Total	Measure B	Total
<u>REVENUES</u>						
Measure B pass-through revenue						
Pass-through allocation	\$ -	\$ 394,094	\$ 32,542	\$ 426,636	\$ -	\$ 426,636
Interest	-	302	27	329	-	329
Grant revenue	-	-	-	-	<u>40,609</u>	<u>40,609</u>
Total Revenues	<u>-</u>	<u>394,396</u>	<u>32,569</u>	<u>426,965</u>	<u>40,609</u>	<u>467,574</u>
<u>EXPENDITURES</u>						
Public works	<u>-</u>	<u>593,437</u>	<u>111,704</u>	<u>705,141</u>	<u>40,609</u>	<u>745,750</u>
Total Expenditures	<u>-</u>	<u>593,437</u>	<u>111,704</u>	<u>705,141</u>	<u>40,609</u>	<u>745,750</u>
CHANGE IN FUND BALANCE	-	(199,041)	(79,135)	(278,176)	-	(278,176)
FUND BALANCE - BEGINNING OF YEAR	<u>2,374</u>	<u>223,972</u>	<u>169,789</u>	<u>396,135</u>	<u>-</u>	<u>396,135</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,374</u>	<u>\$ 24,931</u>	<u>\$ 90,654</u>	<u>\$ 117,959</u>	<u>\$ -</u>	<u>\$ 117,959</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE B PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: BACKGROUND - MEASURE B PROGRAM

Under Measure B, approved by the voters of Alameda County in 1986 and 2000, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. These measures were adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid by property taxes, but rather, would be used for additional projects and programs.

Projects funded by Measure B during the year were as follows:

Street Resurfacing - To improve, repair, and overlay cities streets.

Bike and Pedestrian - To provide sidewalk and ADA improvements and to implement the bikeway network.

The pool of funds held by the County is allocated among the cities in the County, based on the cities' populations and the number of roads within their city limits for other transportation-related projects. Funds allocated for streets and roads; bike lanes and pedestrian lanes are recorded as a special revenue fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure B Program of the City of Piedmont, California are included as separate special revenue and capital project funds in the basic financial statements of the City.

The financial statements are intended to present the financial position and results of operations of only transactions recorded under the Measure B Program. The fund itself is included in the financial statements of the City.

B. Basis of Presentation

The Measure B Program'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.

C. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All governmental funds are reported using the *current financial resources* measurement focus and the modified *accrual* basis of accounting. Revenues are recorded when measurable and available and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

CITY OF PIEDMONT
MEASURE B PROGRAM
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3: CASH AND INVESTMENTS

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs did not require a Single Audit during for the year ended June 30, 2015. However, these programs are 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.



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**INDEPENDENT AUDITOR'S REPORT ON MEASURE B COMPLIANCE
 AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the City Council
 City of Piedmont
 Piedmont, California

Report on Compliance for Measure B Fund

We have audited the accompanying financial statements of the Measure B Fund of the City of Piedmont's (the City) compliance with the requirements described in the *Master Program Funding Agreement* between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to the Measure B Funds for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the ACTC.

Auditors Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and ACTC. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure B Funds occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on Measure B Funds for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on Measure B Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the requirements noted above, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
December 7, 2015

CITY OF PIEDMONT
MEASURE BB PROGRAM
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2015

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833

**CITY OF PIEDMONT
MEASURE BB PROGRAM
FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure BB Fund of the City of Piedmont as of and for the year ended June 30, 2015 and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure BB Program of the City as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Measure BB Fund of the City of Piedmont are intended to present the financial position and the changes in financial position of the City that is attributable to the transactions of the Fund. They do not purport to, and do not present fairly the financial position of the City of Piedmont as of June 30, 2015 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Sacramento, California
December 7, 2015

**CITY OF PIEDMONT
MEASURE BB PROGRAM
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>
<u>ASSETS</u>			
Accounts receivable	\$ <u>73,843</u>	\$ <u>5,290</u>	\$ <u>79,133</u>
TOTAL ASSETS	\$ <u>73,843</u>	\$ <u>5,290</u>	\$ <u>79,133</u>
<u>FUND BALANCE</u>			
Restricted for Measure BB capital projects	\$ <u>73,843</u>	\$ <u>5,290</u>	\$ <u>79,133</u>
TOTAL FUND BALANCE	\$ <u>73,843</u>	\$ <u>5,290</u>	\$ <u>79,133</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE BB PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>
<u>REVENUES</u>			
Measure BB pass-through revenue			
Pass-through allocation	\$ <u>73,843</u>	\$ <u>5,290</u>	\$ <u>79,133</u>
Total Revenues	<u>73,843</u>	<u>5,290</u>	<u>79,133</u>
CHANGE IN FUND BALANCE	73,843	5,290	79,133
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 73,843</u>	<u>\$ 5,290</u>	<u>\$ 79,133</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE BB PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: BACKGROUND - MEASURE BB PROGRAM

Measure BB is a tax that was approved by the voters of Alameda County in November 2014, which implemented a 30 year Transportation Expenditure Plan. The measure extended Measure B which was the original 0.5 percent transportation sales tax approved in 2000 from ending April 1, 2022 to April 1, 2045 and increased the tax by 0.5 percent. This resulted in a 1 percent total sales tax in the County dedicated to transportation expenses. The City receives a portion of the proceeds to be used for transportation-related expenditures. The Measure BB Fund accounts for the direct funding from the measure for local street projects and bicycle and pedestrian projects based on population and road mileage provided by the additional 0.5 percent.

The pool of funds held by the County is allocated among the cities in the County, based on the cities' populations and the number of roads within their city limits for other transportation-related projects. Funds allocated for streets and roads, bike lanes and pedestrian lanes are recorded as a special revenue fund.

No projects were funded by Measure BB funds during the year ended June 30, 2015.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure BB Program of the City of Piedmont, California are included as separate special revenue and capital project funds in the basic financial statements of the City.

The financial statements are intended to present the financial position, results of operations and cash flows of only transactions recorded under the Measure BB Program. The fund itself is included in the financial statements of the City.

B. Basis of Presentation

The Measure BB Program'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.

C. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All governmental funds are reported using the *current financial resources* measurement focus and the modified *accrual* basis of accounting. Revenues are recorded when measurable and available and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

CITY OF PIEDMONT
MEASURE BB PROGRAM
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3: CASH AND INVESTMENTS

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs did not require a Single Audit during for the year ended June 30, 2015. However, these programs are 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.



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INDEPENDENT AUDITOR'S REPORT ON MEASURE BB COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the City Council
 City of Piedmont
 Piedmont, California

Report on Compliance for Measure BB Fund

We have audited the accompanying financial statements of the Measure BB Fund of the City of Piedmont's (the City) compliance with the requirements described in the *Master Program Funding Agreement* between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to the Measure BB Funds for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the ACTC.

Auditors Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and ACTC. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure BB Funds occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on Measure BB Funds for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on Measure BB Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the requirements noted above, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
December 7, 2015

CITY OF PIEDMONT
MEASURE F PROGRAM
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2015

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833

**CITY OF PIEDMONT
MEASURE F PROGRAM
FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure F Fund of the City of Piedmont as of and for the year ended June 30, 2015 and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure F Program of the City as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Measure F Fund of the City of Piedmont are intended to present the financial position and the changes in financial position of the City that is attributable to the transactions of the Fund. They do not purport to, and do not present fairly the financial position of the City of Piedmont as of June 30, 2015 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Sacramento, California
December 7, 2015

**CITY OF PIEDMONT
MEASURE F PROGRAM
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Local Road Improvement and Repair Program</u>
<u>ASSETS</u>	
Cash and investments (Note 3)	\$ 21,775
Accounts receivable	<u>8,678</u>
TOTAL ASSETS	\$ <u>30,453</u>
 <u>FUND BALANCE</u>	
Restricted for Measure F capital projects	\$ <u>30,453</u>
TOTAL FUND BALANCE	\$ <u>30,453</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE F PROGRAM**
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Local Road Improvement and Repair Program</u>
<u>REVENUES</u>	
Measure F pass-through revenue	
Pass-through allocation	\$ 48,122
Interest	<u>555</u>
Total Revenues	<u>48,677</u>
<u>EXPENDITURES</u>	
Public works	<u>160,100</u>
Total Expenditures	<u>160,100</u>
CHANGE IN FUND BALANCE	(111,423)
FUND BALANCE - BEGINNING OF YEAR	<u>141,876</u>
FUND BALANCE - END OF YEAR	<u>\$ 30,453</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE F PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1: BACKGROUND - MEASURE F PROGRAM

The Measure F Alameda County Vehicle Registration Fee (Measure F Program) was approved by the voters in November 2010, with 63 percent of the vote. The fee will generate about \$10.7 million per year by a \$10 per year vehicle registration fee. The collection of the \$10 per year vehicle registration fee started in the first week of May 2011. The goal of the VRF program is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes the following four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

The Alameda County Transportation Commission administers the program and distributes an equitable share of funds among the four planning areas of the county over successive five year cycles. Geographic equity will be measured by a formula, weighted 50 percent by population of the planning area and 50 percent of registered vehicles of the planning area.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure F Program of the City of Piedmont, California (City) are included as a separate capital project fund in the basic financial statements of the City.

The accompanying financial statements are intended to present the financial position and results of operations of only transactions recorded under the Measure F Program. The fund itself is included in the financial statements of the City.

B. Basis of Presentation

The Measure F Program'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.

C. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Revenues are recorded when measurable and available and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. Description of Fund

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts. The City uses special revenue funds to account for the proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes.

CITY OF PIEDMONT
MEASURE F PROGRAM
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

E. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 3: CASH AND INVESTMENTS

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.



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INDEPENDENT AUDITOR'S REPORT ON MEASURE F COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the City Council
City of Piedmont
Piedmont, California

Report on Compliance for Measure F Fund

We have audited the accompanying financial statements of the Measure F Fund of the City of Piedmont's (the City) compliance with the requirements described in the *Master Program Funding Agreement* between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to the Measure F Funds for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the ACTC.

Auditors Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and ACTC. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure F Funds occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on Measure F Funds for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on Measure F Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the requirements noted above, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
December 7, 2015

**CITY OF PIEDMONT
APPROPRIATIONS LIMIT CALCULATION
AS OF JUNE 30, 2016**



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To The Honorable Mayor and
 Members of the City Council
 City of Piedmont
 Piedmont, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Piedmont, CA, (the City) for the year ended June 30, 2016. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled Agreed-upon Procedures Applied to Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. City of Piedmont's management is responsible for the Appropriations Limit Calculation.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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.

Our procedures and findings are as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City Council. We compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the Appropriations Limit Calculation, we added the appropriations limit at June 30, 2015 to the annual permitted adjustments and agreed the resulting amount to the June 30, 2016 appropriations limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared current year information presented in the appropriations limit calculation to supporting worksheets.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the June 30, 2015 appropriations limit presented in the appropriations limit calculation to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. 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. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by Article XIII B of the California Constitution.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Manuel Ant. Nel CPAs

Sacramento, California
January 26, 2016

CITY OF PIEDMONT
APPROPRIATIONS LIMIT CALCULATION
JUNE 30, 2016

	<u>Amount</u>	<u>Source</u>
A. Prior year's appropriations limit (at June 30, 2015)	\$ <u>18,391,978</u>	
B. Adjustment factors for the current fiscal year:		
1. Population change	1.0382	* State Finance
2. Inflation (per capita personal income change)	<u>1.0130</u>	* State Finance
Total adjustment	<u>1.0517</u>	* (B1 x B2)
C. Annual adjustment	950,802	A x (B - 1)
D. Other Adjustments		
Lost responsibility (-)	-	
Transfer to fees (-)	-	
Voter Approved Increase (+)	1,720,000	
Assumed Responsibility (+)	<u>-</u>	
	<u>-</u>	
E. Total adjustments	<u>2,670,802</u>	C+D
F. Current year's appropriations limit (at June 30, 2016)	\$ <u>21,062,780</u>	A+E

* Rounded to the nearest ten thousandth



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To the City Council and Management
City of Piedmont

In planning and performing our audit of the financial statements of the City of Piedmont 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 of Piedmont's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 26, 2016, on the financial statements of the City of Piedmont.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City of Piedmont's responses to the findings identified in our audit are described in the accompanying attachment. The City of Piedmont's responses were not subjected to the auditing 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, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Mann Urrutia Nelson CPAs".

Mann, Urrutia, Nelson, CPAs & Associates, LLP
Sacramento, California
January 26, 2016

City of Piedmont
Summary of Control Deficiencies
June 30, 2015

Compensated Absences

While reviewing the accrual for compensated absences, we noted that five employee accounts exceeded the maximum accrual allowed under the personnel policy. We recommend that management implement a procedure to check that employees do not carry compensated absence balances greater than the maximum carryover allowed.

Management Response

The City concurs with the finding. The City has identified financial system modification designed to improve controls specifically related to compensatory time leave balances. The City will review this modification to confirm its applicability in the Finance Department and implement changes as needed.

Fund Balance

It appears the City has not fully implemented Governmental Accounting Standards Board (GASB) Statement 54: *Fund Balance Reporting and Governmental Fund Type Definitions*, which was required to be implemented for the fiscal year beginning July 1, 2010. For example, we noted that there are special revenue funds with assigned fund balances. While assigned fund balances can exist for special revenue funds, the fund is required to also include substantial restricted or committed revenues as its foundation. Assigned revenues or resources cannot be the foundation for establishing a special revenue fund. We recommend the City establish and implement a formal fund balance policy that encompasses all of the requirements of GASB 54.

Management Response

The City concurs with the finding that GASB No. 54 has yet to be fully implemented. The City believes that the goal of substantially clearer fund balance classification reporting has been substantially implemented. The City will establish a formal policy and implement fund balance reporting for special revenue funds consistent with GASB No. 54 in accordance with the finding.



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January 26, 2016

To the City Council
City of Piedmont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Piedmont are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City of Piedmont changed accounting policies related to the Net Pension Liability by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB No. 27*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the City of Piedmont 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.

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 depreciation, the accruals for workers' compensation and general liability, and the estimates for the net pension liability, net pension asset, and other post-employment benefits. Management's estimate of depreciation is based on the City's capitalization policy. Management's estimates for the accruals for workers' compensation and general liability were based on known claim information and loss history. Management's estimates for the net pension liability, net pension asset, and other post-employment benefits were based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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. Attachment A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements in Attachment B were detected as a result of audit procedures and were corrected by management.

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 the management representation letter dated January 26, 2016.

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 of Piedmont'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 of Piedmont'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 Matters

We applied certain limited procedures to management's discussion and analysis, budgetary schedule, schedule of funding progress, and schedules relating to the City's unfunded liability, which are required supplementary information (RSI) that 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 RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, which accompany the financial statements but are not RSI. 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.

Restriction on Use

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

Very truly yours,

Mann, Urrutia, Nelson, CPAs & Associates, LLP

Attachment A

**CITY OF PIEDMONT
SUMMARY OF PASSED AUDIT ADJUSTMENTS
June 30, 2015**

<u>Description</u>	<u>Effect - Increase (Decrease)</u>				
	Assets & Deferred Outflows	Liabilities & Deferred Inflows	Equity	Revenue	Expenses
<u>Current Year Differences</u>					
Entry to record projected error of unrecorded receivables	\$ 15,209			\$ 15,209	
Entry to project over accrual of compensated absences		\$ (4,434)			\$ (4,434)
Total Income Statement Effect				<u>\$ 15,209</u>	<u>\$ (4,434)</u>
Balance Sheet Effect	<u>\$ 15,209</u>	<u>\$ (4,434)</u>	<u>\$ -</u>		

Attachment B

**CITY OF PIEDMONT
SUMMARY OF AUDIT ADJUSTMENTS
June 30, 2015**

<u>Description</u>	<u>Effect - Increase (Decrease)</u>				
	Assets & Deferred Outflows	Liabilities & Deferred Inflows	Equity	Revenue	Expenses
<u>Current Year Differences</u>					
To adjust the accrued payroll liability		\$ (49,765)			\$ (49,765)
To record unrecorded receivables	\$ 127,286			\$ 127,286	
To record the net pension liability and related accounts	\$ 1,915,441	\$ 25,003,138	\$ (24,767,779)		\$ (1,680,082)
To record the net pension asset	\$ 9,100,220		\$ 9,100,220		
To record the change in net OPEB obligation		\$ 260,997			\$ 260,997
Total Income Statement Effect				<u>\$ 127,286</u>	<u>\$ (1,468,850)</u>
Balance Sheet Effect	<u>\$ 11,142,947</u>	<u>\$ 25,214,370</u>	<u>\$ (15,667,559)</u>		

