
**CITY OF PIEDMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CITY OF PIEDMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 for the General Fund and major special revenue funds, pension related schedules and OPEB related schedules 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 April 22, 2019, 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 solely 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 effectiveness of the City of Piedmont's 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 of Piedmont's internal control over financial reporting and compliance.



Sacramento, California
April 22, 2019

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018, the City's government-wide net position amounted to a positive balance of \$32,930,099. This represents an increase of \$5,842,265 from the June 30, 2017 restated balance of \$27,087,834.
 - Governmental activities of \$23,818,226 and accounts for 72% of total net position.
 - Business-type activities of \$9,111,873 and accounts for 28% of total net position.
- Deferred Outflows of Resources represent consumption of net position or fund balance that applies to a future period. Of the \$8,526,921 in Deferred Outflows of Resources, \$2,521,862 includes contribution payments made to CalPERS during fiscal year 2017-18, and \$5,958,059 relates to changes in the net pension liability and asset. As allowed by GASB No. 68, the CalPERS measurement date is June 30, 2017 and contributions subsequent to the measurement date are reflected as a deferred outflow. The remaining \$47,000 in Deferred Outflows of Resources relates to changes in the Net OPEB liability as GASB 75 was implemented during the year.
- Deferred Inflows of Resources represent an acquisition of net position or fund balance that applies to a future period and amounts to \$6,693,650. The deferred Inflows include deferrals due to changes in the net pension liability and net OPEB liability. Notes 7 and 9 discuss the impacts of these changes to net position.
- Net position increased by \$5,842,265 due to the following factors:
 - Net investment in capital assets increased \$1,277,054 to \$39,435,201 due to the following:
 - Governmental activities increased by \$630,590 due primarily to streets and building facility improvements.
 - Business-type activities increased \$646,462 due to the scheduled payments of the State of California Water Resources Board Loans and additions to the sewer infrastructure for \$458,636 and \$189,476, respectively and offset by depreciation.
 - Unrestricted net position decreased by \$9,989,815 to \$11,955,144 due to the following:
 - Due to the implementation of GASB 75, there was an increase in the net OPEB liability of \$12,215,794 to \$17,434,000 in 2018 from \$5,218,206 in 2017.
 - Property tax-related revenues, which represent 57% of governmental activity revenue increased \$1,638,161 to \$19,417,774.
 - Property tax revenues amounted to \$13,375,005 an increase of \$863,003 (7%) as compared to FY 2017.
 - Real property transfer tax revenues amounted to \$3,845,198, an increase of \$323,120 (9%), as compared to FY 2017.
 - As of June 30, 2018, capital assets, net of depreciation, amount to \$46,401,377 and are reported in the Statement of Net Position.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund level

- Governmental fund balances increased \$3,372,054 to \$20,637,039. Of this amount, the unassigned fund balance was \$5,505,454, an increase of \$810,253 from the prior year.
- Enterprise fund net position increased \$1,392,719 to \$9,111,873. Of this amount, net investment in capital assets totaled \$10,546,065, an increase of \$646,465 from the prior year.

Fiduciary funds

- The trust funds net position increased \$1,408,348 to \$20,513,629. The trust funds represent the police and fire pension plan and OPEB for \$12,352,059 and \$8,161,570, 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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, 2018

Governmental funds

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

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

The City maintains seventeen 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 Measure BB Sales Tax, Equipment Replacement and Facilities Maintenance funds as a major funds. Data for these funds are also presented separately. Data from the other fourteen 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 - 21 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 22 - 25 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 26 - 27 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 28 - 65 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 schedules for the General Fund and Measure BB Sales Tax, pension required schedules, and OPEB required schedules. Required supplementary information can be found on pages 66 - 74 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 76 - 105 of this report.

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 \$32,930,099 at the close of the most recent year.

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. 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.

GASB No. 75 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 OPEB plan. GASB No. 75 requires the City to include the liabilities of the City's OPEB plan 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.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Statement of Net Position
As of June 30, 2018 and 2017
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Government</u>		
	<u>2018</u>	<u>2017</u>	<u>Net Change</u>	<u>2018</u>	<u>2017</u>	<u>Net Change</u>	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
ASSETS									
Current and other assets	\$ 25,690	\$ 22,352	\$ 3,338	\$ 1,572	\$ 981	\$ 591	\$ 27,262	\$ 23,333	\$ 3,929
Noncurrent assets	<u>39,389</u>	<u>38,206</u>	<u>1,183</u>	<u>17,512</u>	<u>14,230</u>	<u>3,282</u>	<u>56,901</u>	<u>52,436</u>	<u>4,465</u>
Total Assets	<u>65,079</u>	<u>60,558</u>	<u>4,521</u>	<u>19,084</u>	<u>15,211</u>	<u>3,873</u>	<u>84,163</u>	<u>75,769</u>	<u>8,394</u>
Deferred Outflows of Resources	<u>8,080</u>	<u>6,642</u>	<u>1,438</u>	<u>447</u>	<u>-</u>	<u>447</u>	<u>8,527</u>	<u>6,642</u>	<u>1,885</u>
LIABILITIES									
Long-term liabilities	38,012	31,105	6,907	8,887	3,862	5,025	46,899	34,967	11,932
Other liabilities	<u>5,085</u>	<u>6,186</u>	<u>(1,101)</u>	<u>1,083</u>	<u>860</u>	<u>223</u>	<u>6,168</u>	<u>7,046</u>	<u>(878)</u>
Total Liabilities	<u>43,097</u>	<u>37,291</u>	<u>5,806</u>	<u>9,970</u>	<u>4,722</u>	<u>5,248</u>	<u>53,067</u>	<u>42,013</u>	<u>11,054</u>
Deferred Inflows of Resources	<u>6,244</u>	<u>1,857</u>	<u>4,387</u>	<u>450</u>	<u>-</u>	<u>450</u>	<u>6,694</u>	<u>1,857</u>	<u>4,837</u>
NET POSITION									
Net investment in capital assets	28,889	28,259	630	10,546	9,900	646	39,436	38,159	1,277
Restricted	5,450	2,348	3,102	-	-	-	5,450	2,348	3,102
Unrestricted	<u>(10,521)</u>	<u>(2,555)</u>	<u>(7,966)</u>	<u>(1,434)</u>	<u>589</u>	<u>(2,023)</u>	<u>(11,955)</u>	<u>(1,966)</u>	<u>(9,989)</u>
Total Net Position	<u>\$ 23,818</u>	<u>\$ 28,052</u>	<u>\$ (4,234)</u>	<u>\$ 9,112</u>	<u>\$ 10,489</u>	<u>\$ (1,377)</u>	<u>\$ 32,931</u>	<u>\$ 38,541</u>	<u>\$ (5,610)</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, the City's Statement of Net Position decreased primarily due to a decrease in the unrestricted net position which was driven by an increase in net OPEB liability and related deferred inflows of resources due to the implementation of GASB 75.

Business-type activities. The increase in net position in 2016 is primarily due to reduction in the outstanding long-term debt for sewer rehabilitation as the City continues to make the scheduled payments of principal and interest per the payment schedule.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Net Change</u>	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
REVENUES:						
Program revenues						
Charges for services	\$ 5,042	\$ 5,144	\$ (102)	\$ 3,042	\$ 2,951	\$ 91
Operating grants and contributions	2,404	1,763	641	-	-	-
Capital grants and contributions	107	78	29	315	-	315
General revenues						
Taxes and fees	23,127	21,488	1,639	-	-	-
Investment earnings	231	92	139	7	11	(4)
Other revenue	2,864	2,026	838	-	-	-
Transfers	(199)	598	(797)	199	(598)	797
Total Revenues	<u>33,576</u>	<u>31,189</u>	<u>2,387</u>	<u>3,563</u>	<u>2,364</u>	<u>1,199</u>
EXPENSES:						
Administration	4,243	3,541	702	-	-	-
Public works	4,631	5,783	(1,152)	-	-	-
Street improvement	478	317	161	-	-	-
Safety: police	6,580	6,108	472	-	-	-
Safety: fire	6,268	5,769	499	-	-	-
Recreation	4,469	4,168	301	-	-	-
NonDepartmental	2,364	3,661	(1,297)	-	-	-
Interest	92	126	(34)	-	-	-
Sewer	-	-	-	1,531	933	598
Aquatics	-	-	-	640	595	45
Total Expenses	<u>29,125</u>	<u>29,473</u>	<u>(348)</u>	<u>2,171</u>	<u>1,528</u>	<u>(348)</u>
Change in net position	<u>4,451</u>	<u>1,716</u>	<u>2,735</u>	<u>1,392</u>	<u>836</u>	<u>556</u>
Net position - beginning	28,052	26,335	1,717	10,489	9,652	837
Restatement	(8,683)	-	(8,683)	(2,770)	-	(2,770)
Net position - beginning restated	<u>19,369</u>	<u>26,335</u>	<u>(6,966)</u>	<u>7,719</u>	<u>9,652</u>	<u>(1,933)</u>
Net position - ending	<u>\$ 23,820</u>	<u>\$ 28,051</u>	<u>\$ (4,231)</u>	<u>\$ 9,111</u>	<u>\$ 10,488</u>	<u>\$ (1,377)</u>

Governmental Activities. On a full accrual basis, governmental activities increased the City of Piedmont's net position by \$4,449,546 primarily due to higher property related tax collections and a decline in contributions made to the pension stabilization trust. The change in net position also includes a \$8,683,043 prior period adjustment related to implementation of GASB 75, the allocation of the net pension liability and compensated absences across funds, and the close out of the employee benefits internal service fund.

Business-type Activities. Business-type activities increased the City of Piedmont's net position as General Fund support declined.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 \$20,637,039, an increase of \$3,372,054 compared with the prior year. A total of \$5,505,454, approximately 27%, 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 \$8,290,720 and \$5,505,454, 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 35% and 23% of total General Fund expenditures, respectively. During the current fiscal year, the fund balance of the City's general fund increased by \$1,595,519.

General Fund revenues of \$29,757,358 increased \$3,100,123 from prior year due to improved property related tax revenues and revenue from other agencies. All categories of property related taxes increased:

- Property tax revenues increased \$863,003 to \$13,375,005 due to rising assessed value from home sales and a strong real estate market.
- Real Property Transfer Tax revenue increased \$323,120 to \$3,845,198 due to an increase in both the number of homes sold and the average sales price per home.
- Parcel tax increased \$452,038 due to a tax increase approved on the June 2016 ballot.
- Revenue received from other agencies increased \$204,026 from the prior year primarily due to an increase in mutual aid support for the State's wildfires.

Due to the volatile nature of the real estate market, Real Property Transfer Tax is budgeted conservatively at \$2.8 million. The table below shows the number of homes sold and the average sales price for the last ten fiscal years:

Fiscal Year	# Sold	Average Sales Price	Real Property Transfer Tax
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
2015-16	120	\$1,836,197	\$3,117,999
2016-17	127	\$2,138,872	\$3,522,078
2017-18	132	\$2,278,523	\$3,845,198

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

General fund expenditures totaled \$23,791,650, a decrease of \$527,070 from the prior year. The major decrease is due primarily to a \$2.0 million payment to the pension stabilization fund and increased in all of our operating departments. Other changes in General Fund department expenditures include:

- Administration expenses increased \$327,000 primarily due to:
 - \$117,000 increase due to improvements in the area of information technology, the primary driver being the retaining of a third party to provide ongoing on-site technical support.
 - \$114,000 increase in personnel related costs due primarily to the filing of vacant positions and, to a lesser extent, higher salaries.
 - \$80,000 increase in legal and labor negotiating costs.
- Public Works expenses increased \$121,000 primarily due to higher personnel related costs.
- Recreation expenses increased \$51,000 primarily due to expansion of contract based recreation programs.
- Police expenses increased \$454,000 primarily due to:
 - \$343,000 increase in personnel related costs due primarily to higher salaries and the filling of vacant positions.
 - \$87,000 increase in pension costs.
- Fire expenses increased \$544,000 primarily due to:
 - \$246,000 increase in salary and employee benefit expenses.
 - \$214,000 increase in overtime costs related to the mutual aid assistance provided in connection with California's wildfires.
 - \$62,000 increase in pension costs.
- Non-Departmental and Transfers decreased \$1,297,000 primarily due to a decline in contributions to the Pension Rate Stabilization Fund.

Measure BB Sales Tax Fund

The Measure BB Sales Tax Fund is used to account for funds received for Measure BB, a sales tax approved by Alameda County voters in November 2014. Measure BB extends the existing Measure B 1/4 cent transportation sales tax to April 2045. Funds received will be used for local streets maintenance and safety and bike and pedestrian paths and safety.

Equipment Replacement Fund

The Equipment Replacement Fund is used to replace the capital assets of the City. The fund balance of the Equipment Replacement Fund decreased \$133,973 to \$3,803,441. The City Council authorized transfers from the General Fund to the Equipment Replacement Fund for \$400,000 to fund necessary future capital.

Equipment purchased during the fiscal year totaled approximately \$651,000 and was primarily for an ambulance, two police patrol vehicles, and computer system enhancements.

Facilities Maintenance Fund

The Facilities Maintenance Fund is used to maintain other capital assets of the City. The fund balance of the Facilities Maintenance Fund increased \$1,872,257 to \$5,654,456. The City Council authorized transfers from the General Fund to Facilities Maintenance Fund for \$3,331,000 to fund necessary future capital.

The Facilities Maintenance Fund expenditures totaled approximately \$1,461,000 million and included approximately \$600,000 for improvements to our Community Center, Police Station and City Hall, and the remainder for various municipal buildings and parks maintenance and improvements.

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, 2018

Sewer Fund

The Sewer Fund is used to account for the sanitary sewer and storm water systems of the City. The net position of the Sewer Fund increased \$1,345,666 to \$8,717,291. This total increase offsets the net capital improvements of the sewer system which increased \$3,304,006 to \$17,121,280. The unrestricted net position of the Sewer Fund decreased \$1,897,616 to \$1,437,813. This decrease is related to the cost of completing Phase V of the City's sewer rehabilitation program.

The City Council approved loans to the Sewer Fund for \$800,000 from the Equipment Replacement Fund & Facilities Maintenance Fund. The funds are to assist in the completion of rehabilitating the sewer system to cover costs related to design documents so that they can be submitted to apply for a State Water Resources Control Board loan 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 \$47,053 to \$394,582. The City Council authorized transfers from the General Fund of \$130,000 to continue to subsidize the operation of the pool.

Internal Services Fund

The Internal Services Funds' net position amounted to \$1,098,103, a decrease of \$838,774 from the prior fiscal year. This decrease is related to the close out of the Employee Benefits internal service fund to governmental funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's original budget of \$23,836,144 increased \$18,500 to the final amended budget of \$23,854,644. The additional appropriations consisted of additional operating expenses in Public Works and Administration.

The General Fund's actual expenditures of \$23,791,650 was \$62,994 less than the final amended budget of \$23,854,644.

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, 2018 amount to \$46,401,377 (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 \$3,912,975 from \$42,488,402 to \$46,401,377.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS (NET OF DEPRECIATION) (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 5,683	\$ 5,607	\$ -	\$ -	\$ 5,683	\$ 5,607
Construction in progress	804	242	3,954	570	4,758	812
Buildings & improvements	2,441	2,135	391	413	2,832	2,548
Vehicles	1,804	1,978	372	110	2,176	2,088
Property and equipment	1,503	1,633	-	-	1,503	1,633
Infrastructure	<u>16,654</u>	<u>16,664</u>	<u>12,795</u>	<u>13,138</u>	<u>29,449</u>	<u>29,802</u>
Total	<u>\$ 28,889</u>	<u>\$ 28,259</u>	<u>\$ 17,512</u>	<u>\$ 14,231</u>	<u>\$ 46,401</u>	<u>\$ 42,490</u>

Additional information on the City of Piedmont's capital assets can be found in Note 4 on pages 46 - 47 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 \$9,450,176, an increase of \$1,339,921 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, Phase IV, and Phase V of the sewer rehabilitation project received from the State of California Water Resources Control Board.

At June 30, 2018, 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, 2018</u>	<u>Outstanding June 30, 2017</u>
<u>Governmental Activities</u>		
2014 Tax Allocation Bonds	<u>\$ 2,484,000</u>	<u>\$ 3,780,000</u>
<u>Business-type Activities</u>		
Sewer Loan - Phase I	672,525	797,722
Sewer Loan - Phase II	780,940	900,214
Sewer Loan - Phase III	1,025,510	1,158,071
Sewer Loan - Phase IV	1,382,661	1,474,248
Sewer Loan - Phase V	<u>3,104,540</u>	<u>-</u>
Total Business-type Activities	<u>6,966,176</u>	<u>4,330,255</u>
Total Outstanding Debt	<u>\$ 9,450,176</u>	<u>\$ 8,110,255</u>

Additional information about the City's long-term debt can be found in Note 5 on pages 47 - 50 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 voter approved parcel tax which represents approximately 7% of the General Fund revenues and provides discretionary funding to maintain essential services. In November 2016, Piedmont voters approved a four year extension and increase of the parcel tax, which will run from July 1, 2017 through June 30, 2021. The additional funds will assist with facilities maintenance and the modernization of information technology systems.

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 represents approximately 12% of General Fund revenues, the same as compared to last fiscal year. Real property transfer tax is an area to be monitored as tax receipts will fluctuate as they are dependent on the strength of the real estate market in Piedmont. In FY 2017-18, revenues in excess of the budgeted amount was transferred to the Facilities Maintenance and the Pension Rate Stabilization Funds.

The City's salary and benefit costs represent approximately 69% of the General Fund and the employee agreements from 2017 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 100% design documents and has submitted State Water Resources Control Board (SWRCB) loan documents since the State provides funding with low interest rates. The SWRCB granted the loan and construction began in the summer of 2017 and was completed in the fall of 2018.

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, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 19,007,265	\$ 378,868	\$ 19,386,133
Restricted cash and investments (Note 2)	2,556,370	-	2,556,370
Taxes receivable	-	-	-
Accounts receivable	2,428,620	2,857,506	5,286,126
Prepaid expenses	32,739	-	32,739
Internal balances	1,664,289	(1,664,289)	-
Capital assets (Note 4):			
Land and construction in progress	6,487,227	3,953,591	10,440,818
Depreciable, net of accumulated depreciation	<u>22,401,909</u>	<u>13,558,650</u>	<u>35,960,559</u>
Total capital assets	<u>28,889,136</u>	<u>17,512,241</u>	<u>46,401,377</u>
Net pension asset (Note 8)	<u>10,500,344</u>	<u>-</u>	<u>10,500,344</u>
Total Assets	<u>65,078,763</u>	<u>19,084,326</u>	<u>84,163,089</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
2018 pension contributions (Note 7)	2,386,275	135,587	2,521,862
Changes in the net pension liability (Note 7)	5,420,025	307,962	5,727,987
Changes in the net pension asset - police & fire (Note 8)	230,072	-	230,072
Changes in the net OPEB liability (Note 9)	<u>43,679</u>	<u>3,321</u>	<u>47,000</u>
Total Deferred Outflows of Resources	<u>8,080,051</u>	<u>446,870</u>	<u>8,526,921</u>
<u>LIABILITIES</u>			
Accounts payable	2,397,316	330,580	2,727,896
Accrued wages and benefits	349,673	36,539	386,212
Accrued interest payable	-	38,690	38,690
Deposit payable	228,329	-	228,329
Unearned revenue	-	165,148	165,148
Compensated absences (Note 5):			
Due within one year	433,435	32,956	466,391
Due in more than one year	456,149	34,683	490,832
Claims payable (Note 11):			
Due within one year	302,250	-	302,250
Due in more than one year	676,573	-	676,573
Net OPEB liability (Note 9):			
Due in more than one year	11,183,340	967,660	12,151,000
Long-term liabilities (Note 5):			
Due within one year	1,374,000	478,835	1,852,835
Due in more than one year	1,110,000	6,487,341	7,597,341
Net pension liability (Note 7):			
Due in more than one year	<u>24,585,815</u>	<u>1,396,949</u>	<u>25,982,764</u>
Total Liabilities	<u>43,096,880</u>	<u>9,969,381</u>	<u>53,066,261</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in the net pension liability (Note 7)	1,290,334	73,316	1,363,650
Changes in the net OPEB liability (Note 9)	<u>4,953,374</u>	<u>376,626</u>	<u>5,330,000</u>
Total Deferred Inflows of Resources	<u>6,243,708</u>	<u>449,942</u>	<u>6,693,650</u>
<u>NET POSITION</u>			
Net investment in capital assets	28,889,136	10,546,065	39,435,201
Restricted for:			
Community development	1,476,560	-	1,476,560
Public safety	458,463	-	458,463
Recreation	301,050	-	301,050
Street improvement	461,442	-	461,442
Section 115 pension trust	2,752,527	-	2,752,527
Unrestricted	<u>(10,520,952)</u>	<u>(1,434,192)</u>	<u>(11,955,144)</u>
Total Net Position	<u>\$ 23,818,226</u>	<u>\$ 9,111,873</u>	<u>\$ 32,930,099</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
PRIMARY GOVERNMENT							
Governmental activities:							
Administration	\$ 4,243,496	\$ 122,217	\$ 1,800	\$ -	\$ (4,119,479)	\$ -	\$ (4,119,479)
Public works	4,630,687	1,076,756	1,368,378	106,760	(2,078,793)	-	(2,078,793)
Street improvement	478,317	-	-	-	(478,317)	-	(478,317)
Public safety: police services	6,580,408	175,686	167,206	-	(6,237,516)	-	(6,237,516)
Public safety: fire services	6,268,295	346,067	480,769	-	(5,441,459)	-	(5,441,459)
Recreation	4,469,280	3,320,983	385,828	-	(762,469)	-	(762,469)
Nondepartmental	2,364,371	-	-	-	(2,364,371)	-	(2,364,371)
Debt interest	91,674	-	-	-	(91,674)	-	(91,674)
Total governmental activities	<u>29,126,528</u>	<u>5,041,709</u>	<u>2,403,981</u>	<u>106,760</u>	<u>(21,574,078)</u>	<u>-</u>	<u>(21,574,078)</u>
Business-type activities:							
Sewer	1,530,579	2,492,261	-	314,718	-	1,276,400	1,276,400
Aquatic	639,518	549,493	-	-	-	(90,025)	(90,025)
Total business-type activities	<u>2,170,097</u>	<u>3,041,754</u>	<u>-</u>	<u>314,718</u>	<u>-</u>	<u>1,186,375</u>	<u>1,186,375</u>
Total primary government	<u>\$ 31,296,625</u>	<u>\$ 8,083,463</u>	<u>\$ 2,403,981</u>	<u>\$ 421,478</u>	<u>\$ (21,574,078)</u>	<u>\$ 1,186,375</u>	<u>\$ (20,387,703)</u>
General revenues:							
Taxes:							
Property tax					\$ 13,375,005	\$ -	\$ 13,375,005
Sales tax					191,892	-	191,892
Franchise tax					407,820	-	407,820
Utility users tax					1,248,554	-	1,248,554
Real property transfer tax					3,845,198	-	3,845,198
Business license and rental tax					563,454	-	563,454
Parcel tax					2,197,571	-	2,197,571
Paramedic tax					69,375	-	69,375
Motor vehicle license fee					1,228,577	-	1,228,577
Investment earnings					231,350	7,170	238,520
Other revenues					2,864,002	-	2,864,002
Transfers					(199,174)	199,174	-
Total general revenues and transfers					<u>26,023,624</u>	<u>206,344</u>	<u>26,229,968</u>
Change in net position					4,449,546	1,392,719	5,842,265
Net position - July 1, 2017					28,051,723	10,488,903	38,540,626
Prior period adjustment (Note 15)					(8,683,043)	(2,769,749)	(11,452,792)
Net position - July 1, 2017 - restated					<u>19,368,680</u>	<u>7,719,154</u>	<u>27,087,834</u>
Net position - June 30, 2018					<u>\$ 23,818,226</u>	<u>\$ 9,111,873</u>	<u>\$ 32,930,099</u>

**CITY OF PIEDMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Measure BB Sales Tax</u>	<u>Equipment Replacement</u>
<u>ASSETS</u>			
Cash and investments	\$ 4,842,387	\$ 473,187	\$ 3,539,408
Restricted cash and investments	2,259,705	-	-
Accounts receivable	2,053,458	69,663	32,492
Prepaid expenses	32,739	-	-
Due from other funds	1,025,720	-	-
Advances to other funds	<u>-</u>	<u>-</u>	<u>600,000</u>
Total Assets	<u>\$ 10,214,009</u>	<u>\$ 542,850</u>	<u>\$ 4,171,900</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 1,355,320	\$ 540,470	\$ 368,459
Accrued wages and benefits	339,640	-	-
Deposits payable	228,329	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,923,289</u>	<u>540,470</u>	<u>368,459</u>
FUND BALANCES			
Nonspendable	32,739	-	600,000
Restricted	2,752,527	2,380	-
Assigned	-	-	3,203,441
Unassigned	<u>5,505,454</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>8,290,720</u>	<u>2,380</u>	<u>3,803,441</u>
Total Liabilities and Fund Balances	<u>\$ 10,214,009</u>	<u>\$ 542,850</u>	<u>\$ 4,171,900</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 5,488,255	\$ 2,566,399	\$ 16,909,636
Restricted cash and investments	-	296,665	2,556,370
Accounts receivable	4,985	265,176	2,425,774
Prepaid expenses	-	-	32,739
Due from other funds	-	-	1,025,720
Advances to other funds	<u>200,000</u>	<u>-</u>	<u>800,000</u>
Total Assets	<u>\$ 5,693,240</u>	<u>\$ 3,128,240</u>	<u>\$ 23,750,239</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 38,784	\$ 70,734	\$ 2,373,767
Accrued wages and benefits	-	10,033	349,673
Deposits payable	-	-	228,329
Due to other funds	<u>-</u>	<u>161,431</u>	<u>161,431</u>
Total Liabilities	<u>38,784</u>	<u>242,198</u>	<u>3,113,200</u>
FUND BALANCES			
Nonspendable	200,000	-	832,739
Restricted	-	2,695,135	5,450,042
Assigned	5,454,456	190,907	8,848,804
Unassigned	<u>-</u>	<u>-</u>	<u>5,505,454</u>
Total Fund Balances	<u>5,654,456</u>	<u>2,886,042</u>	<u>20,637,039</u>
Total Liabilities and Fund Balances	<u>\$ 5,693,240</u>	<u>\$ 3,128,240</u>	<u>\$ 23,750,239</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, 2018

Total fund balances of governmental funds	\$ 20,637,039
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 \$32,842,939.	28,889,136
Net pension asset related to the police and fire pension plan is not a current financial resource and therefore not reported in the funds.	10,500,344
Deferred outflows related to the 2018 pension contributions were made subsequent to the measurement date.	2,386,275
Deferred outflows related to changes in the net pension liability and net pension asset are not reported in the governmental funds.	5,650,097
Deferred outflows related to changes in the net OPEB liability are not reported in the governmental funds.	43,679
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds.	
Compensated absences	(889,584)
Long-term liabilities net of premiums and discounts	(2,484,000)
Net pension liability	(24,585,815)
Net OPEB liability	(11,183,340)
Deferred inflows related to changes in the net pension liability	(1,290,334)
Deferred inflows related to changes in the net OPEB liability	(4,953,374)
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	2,097,629
Accounts receivable	2,846
Accounts payable	(23,549)
Claims payable	(978,823)
Net position of governmental activities	\$ <u>23,818,226</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, 2018

	<u>General Fund</u>	<u>Measure BB Sales Tax</u>	<u>Equipment Replacement</u>	<u>Facilities Maintenance</u>
<u>REVENUES</u>				
Property tax	\$ 13,375,005	\$ -	\$ -	\$ -
Sales tax	191,892	-	-	-
Franchise tax	407,820	-	-	-
Utility users tax	1,248,554	-	-	-
Real property transfer tax	3,845,198	-	-	-
Business license and rental tax	563,454	-	-	-
Gas tax	-	-	-	-
Licenses and permits	588,652	-	-	-
Intergovernmental	2,017,433	420,134	-	-
Use of money and property	740,577	5,665	82,193	2,130
Current service charges	3,544,879	-	-	-
Measure B tax	-	-	-	-
Parcel tax	2,197,571	-	-	-
Contribution and donations	-	-	-	-
Other revenues	<u>1,036,323</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>29,757,358</u>	<u>425,799</u>	<u>82,193</u>	<u>2,130</u>
<u>EXPENDITURES</u>				
Current:				
Administration	2,848,426	-	-	108,486
Public works	3,559,873	-	-	4,962
Public safety:				
Police services	6,203,836	-	40,279	23,671
Fire services	5,959,922	-	-	8,654
Recreation	2,855,222	-	-	387,229
Nondepartmental	2,364,371	-	-	-
Street improvement	-	-	-	-
Capital outlay	-	661,734	610,887	927,871
Debt service - principal	-	-	-	-
Debt service - interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>23,791,650</u>	<u>661,734</u>	<u>651,166</u>	<u>1,460,873</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,965,708</u>	<u>(235,935)</u>	<u>(568,973)</u>	<u>(1,458,743)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	881,295	-	435,000	3,331,000
Transfers out	<u>(5,251,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(4,370,189)</u>	<u>-</u>	<u>435,000</u>	<u>3,331,000</u>
Net Change in Fund Balances	<u>1,595,519</u>	<u>(235,935)</u>	<u>(133,973)</u>	<u>1,872,257</u>
Fund Balances - July 1, 2017	4,695,201	238,315	3,937,414	3,782,199
Prior period adjustment (Note 15)	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - July 1, 2017, Restated	<u>6,695,201</u>	<u>238,315</u>	<u>3,937,414</u>	<u>3,782,199</u>
Fund Balances - June 30, 2018	<u>\$ 8,290,720</u>	<u>\$ 2,380</u>	<u>\$ 3,803,441</u>	<u>\$ 5,654,456</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>		
Property tax	\$ -	\$ 13,375,005
Sales tax	-	191,892
Franchise tax	-	407,820
Utility users tax	-	1,248,554
Real property transfer tax	-	3,845,198
Business license and rental tax	-	563,454
Gas tax	295,033	295,033
Licenses and permits	-	588,652
Intergovernmental	325,852	2,763,419
Use of money and property	19,207	849,772
Current service charges	756,041	4,300,920
Measure B tax	454,197	454,197
Parcel tax	-	2,197,571
Contribution and donations	440,151	440,151
Other revenues	49,463	1,085,786
	<u>2,339,944</u>	<u>32,607,424</u>
Total Revenues		
<u>EXPENDITURES</u>		
Current:		
Administration	43,030	2,999,942
Public works	59,502	3,624,337
Public safety:		
Police services	145,554	6,413,340
Fire services	-	5,968,576
Recreation	730,936	3,973,387
Nondepartmental	-	2,364,371
Street improvement	387,602	387,602
Capital outlay	620,679	2,821,171
Debt service - principal	1,296,000	1,296,000
Debt service - interest	91,674	91,674
	<u>3,374,977</u>	<u>29,940,400</u>
Total Expenditures		
Excess (Deficiency) of Revenues over Expenditures	<u>(1,035,033)</u>	<u>2,667,024</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in	1,400,484	6,047,779
Transfers out	(91,265)	(5,342,749)
	<u>1,309,219</u>	<u>705,030</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	<u>274,186</u>	<u>3,372,054</u>
Fund Balances - July 1, 2017	2,611,856	15,264,985
Prior period adjustment (Note 15)	-	2,000,000
Fund Balances - July 1, 2017, Restated	<u>2,611,856</u>	<u>17,264,985</u>
Fund Balances - June 30, 2018	<u>\$ 2,886,042</u>	<u>\$ 20,637,039</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, 2018

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	\$ 3,372,054
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	2,593,473
Depreciation expense	(1,648,166)
Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.	
	(314,718)
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	1,296,000
Compensated absences expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	
	(50,876)
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	(1,109,040)
Other postemployment benefits	1,149,593
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>(838,774)</u>
Change in net position of governmental activities	<u>\$ 4,449,546</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<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>ASSETS</u>				
Current Assets				
Cash and investments	\$ -	\$ 378,868	\$ 378,868	\$ 2,097,629
Accounts receivable, net	2,814,166	43,340	2,857,506	2,846
Total Current Assets	<u>2,814,166</u>	<u>422,208</u>	<u>3,236,374</u>	<u>2,100,475</u>
Non Current Assets				
Capital assets, nondepreciable	3,953,591	-	3,953,591	-
Capital assets, net	13,167,689	390,961	13,558,650	-
Total Non-Current Assets	<u>17,121,280</u>	<u>390,961</u>	<u>17,512,241</u>	<u>-</u>
Total Assets	<u>19,935,446</u>	<u>813,169</u>	<u>20,748,615</u>	<u>2,100,475</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Changes in the net pension liability	421,075	22,474	443,549	-
Changes in the net OPEB liability	2,959	362	3,321	-
Total Deferred Outflows of Resources	<u>424,034</u>	<u>22,836</u>	<u>446,870</u>	<u>-</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	309,506	21,074	330,580	23,549
Interest payable	38,690	-	38,690	-
Accrued wages and benefits	-	36,539	36,539	-
Due to other funds	864,289	-	864,289	-
Unearned revenue	-	165,148	165,148	-
Long-term liabilities - current	478,835	-	478,835	-
Compensated absences - current	29,363	3,593	32,956	-
Claims payable - current	-	-	-	302,250
Total Current Liabilities	<u>1,720,683</u>	<u>226,354</u>	<u>1,947,037</u>	<u>325,799</u>
Non-Current Liabilities				
Advances from other funds	800,000	-	800,000	-
Long-term liabilities - noncurrent	6,487,341	-	6,487,341	-
Compensated absences - noncurrent	30,902	3,781	34,683	-
Claims payable - noncurrent	-	-	-	676,573
Net pension liability	1,326,168	70,781	1,396,949	-
Net OPEB liability	871,928	95,732	967,660	-
Total Non-Current Liabilities	<u>9,516,339</u>	<u>170,294</u>	<u>9,686,633</u>	<u>676,573</u>
Total Liabilities	<u>11,237,022</u>	<u>396,648</u>	<u>11,633,670</u>	<u>1,002,372</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Changes in the net pension liability	69,601	3,715	73,316	-
Changes in the net OPEB liability	335,566	41,060	376,626	-
Total Deferred Inflows of Resources	<u>405,167</u>	<u>44,775</u>	<u>449,942</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	10,155,104	390,961	10,546,065	-
Unrestricted	(1,437,813)	3,621	(1,434,192)	1,098,103
Total Net Position	<u>\$ 8,717,291</u>	<u>\$ 394,582</u>	<u>\$ 9,111,873</u>	<u>\$ 1,098,103</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, 2018

	<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	\$ 2,492,261	\$ 549,493	\$ 3,041,754	\$ -
Total Operating Revenue	<u>2,492,261</u>	<u>549,493</u>	<u>3,041,754</u>	<u>-</u>
<u>OPERATING EXPENSES</u>				
Contract and professional services	659,451	92,735	752,186	-
Services and supplies	67,437	132,417	199,854	-
Salaries and benefits	341,860	392,746	734,606	-
Insurance and claims expense	-	-	-	1,102,394
Depreciation	<u>402,503</u>	<u>21,620</u>	<u>424,123</u>	<u>-</u>
Total Operating Expenses	<u>1,471,251</u>	<u>639,518</u>	<u>2,110,769</u>	<u>1,102,394</u>
Operating Income (Loss)	<u>1,021,010</u>	<u>(90,025)</u>	<u>930,985</u>	<u>(1,102,394)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	7,161	9	7,170	-
Interest expense	(59,328)	-	(59,328)	-
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167,824</u>
Total Non-Operating Revenues (Expenses)	<u>(52,167)</u>	<u>9</u>	<u>(52,158)</u>	<u>1,167,824</u>
Income (Loss) Before Contributions and Transfers	<u>968,843</u>	<u>(90,016)</u>	<u>878,827</u>	<u>65,430</u>
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>				
Capital contributions	314,718	-	314,718	-
Transfers in	62,105	137,069	199,174	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(904,204)</u>
Total Capital Contributions and Transfers	<u>376,823</u>	<u>137,069</u>	<u>513,892</u>	<u>(904,204)</u>
Change in net position	<u>1,345,666</u>	<u>47,053</u>	<u>1,392,719</u>	<u>(838,774)</u>
Net Position - July 1, 2017	9,946,822	542,081	10,488,903	(4,185,533)
Prior period adjustment (Note 15)	<u>(2,575,197)</u>	<u>(194,552)</u>	<u>(2,769,749)</u>	<u>6,122,410</u>
Net Position - July 1, 2017, restated	<u>7,371,625</u>	<u>347,529</u>	<u>7,719,154</u>	<u>1,936,877</u>
Net Position - June 30, 2018	<u>\$ 8,717,291</u>	<u>\$ 394,582</u>	<u>\$ 9,111,873</u>	<u>\$ 1,098,103</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 2,489,593	\$ 552,752	\$ 3,042,345	\$ -
Claims and premium paid	-	-	-	(1,150,038)
Cash paid to suppliers	(575,279)	(213,936)	(789,215)	-
Cash paid to employees	(677,563)	(372,400)	(1,049,963)	-
Net Cash Provided by (Used for) Operating Activities	<u>1,236,751</u>	<u>(33,584)</u>	<u>1,203,167</u>	<u>(1,150,038)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Other income	-	-	-	1,167,823
Interfund (payments) receipts	926,394	-	926,394	-
Transfers (to) from other funds	-	130,000	130,000	(957,222)
Net Cash Provided by (Used For) Non-Capital Financing Activities	<u>926,394</u>	<u>130,000</u>	<u>1,056,394</u>	<u>210,601</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Loan proceeds	419,788	-	419,788	-
Acquisition of capital assets	(3,391,791)	-	(3,391,791)	-
Principal paid on long-term debt	(468,619)	-	(468,619)	-
Interest paid on long-term debt	(64,785)	-	(64,785)	-
Net Cash Used for Capital and Related Financing Activities	<u>(3,505,407)</u>	<u>-</u>	<u>(3,505,407)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	7,161	-	7,161	-
Net Cash Provided by Investing Activities	<u>7,161</u>	<u>-</u>	<u>7,161</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,335,101)	96,416	(1,238,685)	(939,437)
Cash and Cash Equivalents - July 1, 2017	<u>1,335,101</u>	<u>272,105</u>	<u>1,607,206</u>	<u>3,037,066</u>
Cash and Cash Equivalents - June 30, 2018	<u>\$ -</u>	<u>\$ 368,521</u>	<u>\$ 368,521</u>	<u>\$ 2,097,629</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, 2018

	<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 BY (USED FOR) OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	1,021,010	(90,025)	930,985	(1,102,394)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	402,503	21,620	424,123	-
Pension and OPEB expense	(337,543)	978	(336,565)	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(2,668)	3,536	868	(924)
Increase in accounts payable	151,609	11,216	162,825	18,708
Decrease in unearned revenue	-	(287)	(287)	-
Decrease in claims payable	-	-	-	(65,428)
Increase in accrued wages	-	22,351	22,351	-
Increase in compensated absences	1,840	305	2,145	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,236,751</u>	<u>\$ (30,306)</u>	<u>\$ 1,206,445</u>	<u>\$ (1,150,038)</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Funds</u>	<u>Police and Fire Pension Plan Trust</u>	<u>OPEB Trust</u>
<u>ASSETS</u>			
Restricted cash (Note 2)	\$ 297,704	\$ -	\$ -
Restricted investments (Note 2)	-	12,466,467	8,161,570
Accounts receivable	<u>3,389</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 301,093</u>	<u>\$ 12,466,467</u>	<u>\$ 8,161,570</u>
<u>LIABILITIES</u>			
Accounts payable and other liabilities	\$ -	\$ 114,408	\$ -
Deposits held in trust	<u>301,093</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 301,093</u>	<u>\$ 114,408</u>	<u>\$ -</u>
<u>NET POSITION</u>			
Restricted for police and fire pension	-	12,352,059	-
Restricted for OPEB trust	<u>-</u>	<u>-</u>	<u>8,161,570</u>
Total Net Position	<u>\$ -</u>	<u>\$ 12,352,059</u>	<u>\$ 8,161,570</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, 2018

<u>ADDITIONS</u>	<u>Police and Fire Pension Plan</u>	<u>OPEB Trust</u>
Investment income		
Net increase in fair value of investments	\$ 371,179	\$ 440,325
Interest and dividends	344,263	-
Other revenues	-	549,949
Total Additions	<u>715,442</u>	<u>990,274</u>
 <u>DEDUCTIONS</u>		
Pension benefits paid	227,770	-
Administrative expenses	69,598	-
Total Deductions	<u>297,368</u>	<u>-</u>
Change in Fiduciary Net Position	418,074	990,274
Fiduciary Net Position - July 1, 2017	<u>11,933,985</u>	<u>7,171,296</u>
Fiduciary Net Position - June 30, 2018	<u>\$ 12,352,059</u>	<u>\$ 8,161,570</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 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, 2018, the City's staff was comprised of 92 full-time employees who were responsible for the following City-provided services:

Public Safety - The City employs 19 sworn and 9 non-sworn 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 40 full-time and 5 part-time employees.

In addition, the City employs approximately 316 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 Governmental 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, 2018

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. 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 expenditures/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, 2018

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.

Measure BB Sales Tax - This fund is used to account 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.

Equipment Replacement - This fund is used to account for the accumulation of resources used to replace capital assets used by governmental funds.

Facilities Maintenance Fund - This fund is used to account for the accumulation of resources used to 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 13 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.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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 fund'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, 2018

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, pension stabilization 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 accrued 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 financial 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 Financial 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 acquisition 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, 2018

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:

Building and improvements	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 financial 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, 2018. Compensated absences include vacation pay and compensated time off. The City's liability for compensated absences is recorded at the City-wide level in the Statement of Net Position for governmental activities or in the proprietary funds as appropriate.

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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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) plan (the Plan) and additions to/deductions from the Plan's 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.

K. Section 115 Trust

In fiscal year 2017-18, the City Council approved the creation of a Section 115 Trust Agreement with U.S. Bank National Association, Trustee, and Public Agency Retirement Services (PARS), Trust Administrator. The Section 115 Trust was established as a means to set aside monies to fund the City's pension obligations. Contributions to the Section 115 trust are irrevocable, the assets are dedicated to providing benefits to plan members, and the assets are protected from creditors of the City. The purpose of the creation of the Section 115 Trust was to address the City's pension obligations by accumulating assets to reduce the net pension liability. However, in accordance with generally accepted accounting principles, the assets in the Section 115 Trust are not considered to have present service capacity as plan assets are therefore considered restricted assets of the City rather than plan assets. Accordingly, the Section 115 Trust's assets are recorded as restricted for pension benefits in the City's General Fund rather than assets of the pension plan during the measurement of the net pension liability. The assets held in trust will be considered pension plan assets at the time they are transferred out of the Trust into the pension plan.

L. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 - June 30, 2018

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. Deferred outflows of resources recorded for the City relate to the City's defined benefit pension plan, the police and fire pension plan, and the OPEB plan. See Notes 7, 8, and 9.

In addition to liabilities, the statement of net 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. Deferred inflows of resources recorded for the City relate to the City's defined benefit pension plan and OPEB plan. See Notes 7 and 9.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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 nonspendable fund balance 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.

O. Equity Classifications

Government-wide Financial 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 placed 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 "net investment in capital assets."

Fund Financial 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.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

P. 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.

Q. 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.

R. 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.

S. Implementation of Governmental Accounting Standards Board Statements

Effective July 1, 2017, the City implemented the following accounting and financial reporting standards:

Governmental 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 expenses/expenditures related to OPEB. See notes 9 and 15 for the prior period restatement recorded as a result of implementing this standard.

Governmental Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)).

Governmental Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, this Statement amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. There was no significant financial impact to the City as a result of implementation.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Future Governmental Accounting Standards Board Statements

These statements are not effective until July 1, 2018 or later. The City has not determined the effects on the financial statements.

Governmental Accounting Standards Board Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. 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, 2019.

Governmental Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. 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, 2020.

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. 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, 2021.

Governmental Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. 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, 2020.

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. 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, 2021.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. 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, 2020.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 were classified in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities	\$ 19,007,265	\$ 2,556,370	\$ 21,563,635
Business-type activities	378,868	-	378,868
Total government-wide cash and investments	19,386,133	2,556,370	21,942,503
Fiduciary activities	-	20,925,741	20,925,741
Total cash and investments	\$ 19,386,133	\$ 23,482,111	\$ 42,868,244

Cash and investments were carried at fair value as of June 30, 2018 and consisted of the following:

Cash on hand	\$ 900
Cash in banks	466,059
Total cash	466,959
Certificates of deposit	4,924,207
Local Agency Investment Fund (LAIF)	14,927,279
Money market funds	4,785
Held in Trust:	
Mutual funds	8,076,020
Fixed income securities	7,315,563
Equity securities	6,526,440
Money market funds	626,991
Total investments	42,401,285
Total cash and investments	\$ 42,868,244

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investments of the City

The table below identifies the investment types that are authorized for the City by the City's Investment Policy and 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Quality Requirements	Maximum Investment in one Issuer
Local Agency Bonds	5 years	None	None	None
U.S. Treasury Obligations	5 years	None	None	None
State Obligations - CA and Others	5 years	None	None	None
CA Local Agency Obligations	5 years	None	None	None
U.S. Agency Obligations	5 years	None	None	None
Banker's Acceptances	180 days	40%	None	30%
Commercial Paper - Pooled Funds	270 days	40% of the agency's money	Highest letter and number rating by an NRSROH	None
Commercial Paper - Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and number rating by an NRSROH	None
Negotiable Certificates of Deposit	5 years	30%	None	None
Non-negotiable Certificates of Deposit	5 years	None	None	None
Placement Service Deposits	5 years	30%	None	None
Placement Service Certificates of Deposit	5 years	30%	None	None
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None	None
Medium-Term Notes	5 years	30%	"A" rating category or its equivalent or better	None
Mutual Funds and Money Market Funds	N/A	20%	Multiple	None
Collateralized Bank Deposits	5 years	None	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" rating category or its equivalent or better	None
County Pooled Investment Funds	N/A	None	None	None
Joint Powers Authority Pool	N/A	None	Multiple	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None
Voluntary Investment Program Fund	N/A	None	None	None
Supranational Obligations	5 years	30%	"AA" rating category or its equivalent or better	None

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The City complies with the provisions of the 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.

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.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 Retirement Income 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%

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 by 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 Commercials (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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2018:

Investments	Fair Value Measurements Using			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Certificates of deposit	\$ -	\$ 4,924,207	\$ -	\$ 4,924,207
Money market funds	4,785	-	-	4,785
Held in Trust:				
Mutual funds	8,076,020	-	-	8,076,020
Fixed income securities	-	7,315,563	-	7,315,563
Equity securities	6,526,440	-	-	6,526,440
Money market funds	<u>626,991</u>	<u>-</u>	<u>-</u>	<u>626,991</u>
Total	<u>\$ 15,234,236</u>	<u>\$ 12,239,770</u>	<u>\$ -</u>	<u>\$ 27,474,006</u>

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 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. The investment balance of \$14,927,279 is not subject to valuation on a recurring basis.

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.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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, 2018:

	Remaining Maturity			Fair Value
	12 months or less	1-5 years	More than 5 years	
Police and Fire Pension Trust Fund:				
Fixed income securities	\$ 5,313,036	\$ -	\$ -	\$ 5,313,036
Domestic equities	6,526,440	-	-	6,526,440
Money market funds	<u>626,991</u>	<u>-</u>	<u>-</u>	<u>626,991</u>
Total Police and Fire Pension Trust Fund	<u>12,466,467</u>	<u>-</u>	<u>-</u>	<u>12,466,467</u>
OPEB Trust Fund:				
Equity mutual funds	<u>8,076,020</u>	<u>-</u>	<u>-</u>	<u>8,076,020</u>
Total OPEB Trust Fund	<u>8,076,020</u>	<u>-</u>	<u>-</u>	<u>8,076,020</u>
City and Agency Funds:				
Fixed income securities	2,002,527	-	-	2,002,527
Certificates of deposit	1,723,974	3,200,233	-	4,924,207
Money market funds	4,785	-	-	4,785
Local Agency Investment Fund	<u>14,927,279</u>	<u>-</u>	<u>-</u>	<u>14,927,279</u>
Total City and Agency Funds	<u>18,658,565</u>	<u>3,200,233</u>	<u>-</u>	<u>21,858,798</u>
Total Investments	<u>\$ 39,201,052</u>	<u>\$ 3,200,233</u>	<u>\$ -</u>	<u>\$ 42,401,285</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, 2018.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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
Police and Fire Pension Trust Fund:			
Fixed income securities	\$ 5,313,036	Not rated	Not rated
Domestic equities	6,526,440	Not rated	Not rated
Money market funds	626,991	Not rated	Not rated
OPEB Trust Fund			
Equity mutual funds	8,076,020	Not rated	Not rated
City and Agency Funds			
Fixed income securities	2,002,527	Not rated	Not rated
Certificates of deposit	4,924,207	Not rated	Not rated
Money market funds	4,785	Not rated	Not rated
Local Agency Investment Fund	<u>14,927,279</u>	Not rated	Not rated
	<u>\$ 42,401,285</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.

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, 2018

NOTE 3: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2018 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental Funds</u>			
General Fund	Sewer	Overdrawn cash loan	\$ 864,289
General Fund	Measure B Sales Tax	Overdrawn cash loan	55,851
General Fund	Measure F	Overdrawn cash loan	6,580
General Fund	Misc. Grants Funds	Overdrawn cash loan	<u>99,000</u>
		Total Due to / From Other Funds	\$ <u>1,025,720</u>
Equipment Replacement	Sewer	Sewer replacement project	\$ 600,000
Facilities Maintenance	Sewer	Sewer replacement project	<u>200,000</u>
		Total Advances to / From Other Funds	\$ <u>800,000</u>

Sewer Replacement Project - In October 2014, the City approved an interfund loan to the Sewer Fund from the Equipment Replacement and Facilities Funds in the amounts of \$600,000 and \$200,000, respectively to meet capital requirements of the Sewer Fund. The loan bears interest based on the Local Agency Investment Fund rate, not to exceed 1.0%. Interest only payments are due during the replacement of the sewer system. Principal and interest payments begin approximately in FY 2028, when phase VII loan payments begin. Under this schedule, the loan is set to retire in FY 2035.

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2018 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	Equipment Replacement	Funding for capital outlay	\$ 400,000
	Aquatics	General Fund subsidy	130,000
	Facilities Maintenance	Funding for capital outlay	3,331,000
	2014 Taxable Pension	Pension side-fund liability	
	Obligation Bonds	payment	1,388,734
	Capital Improvement	Funding for capital outlay	<u>1,750</u>
		Total Major Governmental Interfund Transfers	\$ <u>5,251,484</u>
<u>Non-Major Governmental Funds</u>			
Projects and Services	General Fund	City-wide beautification	\$ 945
Projects and Services	General Fund	Traffic safety cost recovery	15,000
Athletic Facility Preservation	Capital Improvement	Capital projects	10,000
Abandoned Vehicle	Equipment Replacement	Capital projects	35,000
Measure D Fund	General Fund	Administrative cost recovery	<u>30,320</u>
		Total Non- Major Governmental Interfund Transfer	\$ <u>91,265</u>
<u>Proprietary Funds</u>			
Employee Benefits	General Fund	Close out of internal service fund	\$ 835,030
Employee Benefits	Aquatics	Close out of internal service fund	7,069
Employee Benefits	Sewer	Close out of internal service fund	<u>62,105</u>
		Total Proprietary Fund Transfers	\$ <u>904,204</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4: CAPITAL ASSETS

Governmental Activities:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated					
Land	\$ 5,606,873	\$ -	\$ -	\$ 76,222	\$ 5,683,095
Construction-in-progress	<u>241,766</u>	<u>739,968</u>	<u>-</u>	<u>(177,602)</u>	<u>804,132</u>
Total capital assets not being depreciated	<u>5,848,639</u>	<u>739,968</u>	<u>-</u>	<u>(101,380)</u>	<u>6,487,227</u>
Capital assets being depreciated					
Buildings and improvements	3,503,157	449,961	-	-	3,953,118
Vehicles	3,658,365	324,486	(46,413)	(354,254)	3,582,184
Property and equipment	3,895,244	84,579	-	101,380	4,081,203
Infrastructure	<u>42,641,671</u>	<u>994,479</u>	<u>(88,107)</u>	<u>80,300</u>	<u>43,628,343</u>
Total capital assets being depreciated	<u>53,698,437</u>	<u>1,853,505</u>	<u>(134,520)</u>	<u>(172,574)</u>	<u>55,244,848</u>
Less accumulated depreciation					
Buildings and improvements	(1,368,354)	(143,922)	-	-	(1,512,276)
Vehicles	(1,680,379)	(183,826)	46,413	39,536	(1,778,256)
Property and equipment	(2,262,614)	(315,432)	-	-	(2,578,046)
Infrastructure	<u>(25,977,182)</u>	<u>(1,004,986)</u>	<u>88,107</u>	<u>(80,300)</u>	<u>(26,974,361)</u>
Total accumulated depreciation	<u>(31,288,529)</u>	<u>(1,648,166)</u>	<u>134,520</u>	<u>(40,764)</u>	<u>(32,842,939)</u>
Total Capital Assets, net	<u>\$ 28,258,547</u>	<u>\$ 945,307</u>	<u>\$ -</u>	<u>\$ (314,718)</u>	<u>\$ 28,889,136</u>

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

Governmental Activities:

Administration	\$ 69,145
Public works	837,417
Public safety - police	206,020
Public safety - fire	189,328
Recreation	<u>346,256</u>

Total governmental activities depreciation expense \$ 1,648,166

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4: CAPITAL ASSETS (CONTINUED)

Business-type Activities:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated					
Construction-in-progress	\$ 569,740	\$ 3,383,851	\$ -	\$ -	\$ 3,953,591
Total capital assets not being depreciated	<u>569,740</u>	<u>3,383,851</u>	<u>-</u>	<u>-</u>	<u>3,953,591</u>
Capital assets being depreciated					
Building and improvements	540,500	-	-	-	540,500
Vehicles	655,428	-	-	354,254	1,009,682
Infrastructure	<u>17,513,728</u>	<u>7,940</u>	<u>-</u>	<u>-</u>	<u>17,521,668</u>
Total capital assets being depreciated	<u>18,709,656</u>	<u>7,940</u>	<u>-</u>	<u>354,254</u>	<u>19,071,850</u>
Less accumulated depreciation					
Building and improvements	(127,919)	(21,620)	-	-	(149,539)
Vehicles	(545,666)	(52,228)	-	(39,536)	(637,430)
Infrastructure	<u>(4,375,956)</u>	<u>(350,275)</u>	<u>-</u>	<u>-</u>	<u>(4,726,231)</u>
Total accumulated depreciation	<u>(5,049,541)</u>	<u>(424,123)</u>	<u>-</u>	<u>(39,536)</u>	<u>(5,513,200)</u>
Total Capital Assets, net	<u>\$ 14,229,855</u>	<u>\$ 2,967,668</u>	<u>\$ -</u>	<u>\$ 314,718</u>	<u>\$ 17,512,241</u>

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

Business-type Activities:

Sewer	\$ 402,503
Aquatics	<u>21,620</u>
Total business-type activities depreciation expense	<u>\$ 424,123</u>

NOTE 5: LONG-TERM LIABILITIES

Governmental activities long-term liabilities issued and outstanding at June 30, 2018 were 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, 2018</u>
2014 Tax allocation bonds	2020	2.79%	\$ 7,305,000	\$ 2,484,000
Compensated absences				<u>889,584</u>
Total governmental activities				<u>\$ 3,373,584</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5: LONG-TERM LIABILITES (CONTINUED)

Business-type activities long-term liabilities issued and outstanding at June 30, 2018 were 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, 2018</u>
Sewer Rehab Loan - Phase I	2022	2.40%	\$ 2,266,920	\$ 672,525
Sewer Rehab Loan - Phase II	2023	2.50%	2,211,812	780,940
Sewer Rehab Loan - Phase III	2025	2.50%	2,512,708	1,025,510
Sewer Rehab Loan - Phase IV	2031	1.00%	1,900,188	1,382,661
Sewer Rehab Loan - Phase V	2037	1.70%	4,397,000	3,104,540
Compensated absences				<u>67,639</u>
Total business-type activities		2.8050%		<u>\$ 7,033,815</u>

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2018:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Governmental Activities:					
Tax allocation bonds	\$ 3,780,000	\$ -	\$ (1,296,000)	\$ 2,484,000	\$ 1,374,000
Total bonds and notes payable	<u>3,780,000</u>	<u>-</u>	<u>(1,296,000)</u>	<u>2,484,000</u>	<u>1,374,000</u>
Other liabilities:					
Compensated absences	<u>835,030</u>	<u>620,645</u>	<u>(566,091)</u>	<u>889,584</u>	<u>433,435</u>
Total Governmental Activities	<u>\$ 4,615,030</u>	<u>\$ 620,645</u>	<u>\$ (1,862,091)</u>	<u>\$ 3,373,584</u>	<u>\$ 1,807,435</u>
	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Business-type Activities					
Sewer Rehab Loan - Phase I	\$ 797,722	\$ -	\$ (125,197)	\$ 672,525	\$ 128,202
Sewer Rehab Loan - Phase II	900,214	-	(119,274)	780,940	122,256
Sewer Rehab Loan - Phase III	1,158,071	-	(132,561)	1,025,510	135,875
Sewer Rehab Loan - Phase IV	1,474,248	-	(91,587)	1,382,661	92,502
Sewer Rehab Loan - Phase V	<u>-</u>	<u>3,104,540</u>	<u>-</u>	<u>3,104,540</u>	<u>-</u>
Total loans payable	<u>4,330,255</u>	<u>3,104,540</u>	<u>(468,619)</u>	<u>6,966,176</u>	<u>478,835</u>
Other liabilities:					
Compensated absences	<u>69,173</u>	<u>54,115</u>	<u>(55,649)</u>	<u>67,639</u>	<u>32,956</u>
Total Business-type Activities	<u>\$ 4,399,428</u>	<u>\$ 3,158,655</u>	<u>\$ (524,268)</u>	<u>\$ 7,033,815</u>	<u>\$ 511,791</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5: LONG-TERM LIABILITES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2018 follows:

A. Governmental Activities

2014 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, 2018, compensated absences totaled \$889,584, of which \$433,435 was recorded as a current liability and the non-current portion totaled \$456,149. For governmental activities, compensated absences are liquidated by the general fund.

Governmental Activities Long-Term Liabilities Future Debt Service

Pension Obligation Bonds

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,484,000</u>	<u>\$ 70,712</u>	<u>\$ 2,554,712</u>

B. Business-type Activities

Sewer 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), are pledged for future debt service.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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), are 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 \$1,900,188 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), are pledged for future debt service.

Sewer Rehabilitation Loan - Phase V

In October 2016, 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 V). Funds are drawn on the agreement as work is completed up to a maximum amount of \$4,397,000 plus any construction period interest. The loan accrues interest at a rate of 1.7 percent annually. Annual principal payments are due each December 1, commencing December 1, 2019. Final payment is due December 2037. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), are pledged for future debt service. For the year ended June 30, 2018 the City had drawn down \$3,104,540 of the Phase V sewer rehab loan. As such, at June 30, 2018, the repayment schedule has not been established and the debt outstanding on the loan is not reflected in the future debt service schedule.

Business-type Activities Long-Term Liabilities Future Debt Service

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 478,835	\$ 75,128	\$ 553,963
2020	489,290	64,673	553,963
2021	499,990	53,973	553,963
2022	510,940	43,022	553,962
2023	522,146	31,817	553,963
2024 - 2028	945,546	50,900	996,446
2029 - 2033	<u>414,889</u>	<u>10,423</u>	<u>425,312</u>
Total	\$ <u>3,861,636</u>	\$ <u>329,936</u>	\$ <u>4,191,572</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: ASSESSMENT DEBT WITHOUT CITY COMMITMENT

In December 2017, the City administered the issuance of the City of Piedmont Reassessment District No. 2017-1 Limited Obligation Refunding Bonds in the principal amount of \$3,917,261. The proceeds from the issuance of the bonds were used to refund the Dudley/Blair Underground Utility Assessment District bonds, the Wildwood/Crocker Underground Utility Assessment District bonds and the Piedmont Hills Underground Assessment District bonds and to pay the costs of issuance of the bonds. At June 30, 2018, the outstanding principal of the bond issue was \$3,917,261. The City is not liable for the repayment of this debt 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, this debt is not reported as long-term liabilities of the City.

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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 rate plan provisions and benefits in effect at June 30, 2018 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 *	22.446%	7.326%	6.736%

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Hire Date	Safety		
	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 *	39.741%	16.498% (police) 16.767% (fire)	12.729%

* The required employee contribution rate includes the normal cost rate plus the employer unfunded liability.

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 the Plan 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. The City's contributions to the Plan for the year ending June 30, 2018 were \$2,521,862.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$25,982,764.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.25701%
Proportion - June 30, 2017	0.26200%
Change - Increase (Decrease)	0.00499%

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the City recognized pension expense of \$3,775,512. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Made Subsequent to Measurement Date	\$ 2,521,862	\$ -
Differences between Employer's Contributions and Proportionate Share of Contributions	-	855,144
Differences between Expected and Actual Experience	43,716	46,953
Changes of Assumptions	4,543,328	347,877
Change in Employer's Proportion	138,281	113,676
Differences between Projected and Actual Investment Earnings	1,002,662	-
Total	\$ 8,249,849	\$ 1,363,650

\$2,521,862 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2019	\$ 738,166
2020	\$ 2,610,375
2021	\$ 1,605,369
2022	\$ (589,573)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment 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 April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

All other actuarial assumptions used in the June 30, 2016 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.

Changes in Assumptions

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the deferred inflows/outflows table above represents the unamortized portion of the changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including Public Employees Retirement Fund (PERF) C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<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%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

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

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

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the 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:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability (Asset)	\$ 40,981,211	\$ 25,982,764	\$ 13,669,656

Pension Plan Fiduciary Net Position

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

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

A. General Information about the Pension 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 is comprised 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.

As of June 30, 2018, the Plan covers 12 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.

B. Net Pension Liability (Asset)

The City's net pension liability (asset) is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability (asset) of the Plan is based on a valuation as of June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability (asset) is shown below.

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

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

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Salary Increases	2.00%
Investment Rate of Return	6.00% net of pension plan investment expenses

Mortality

Service retirements and beneficiaries	California PERS mortality table for healthy recipients (based on CalPERS 1997-2015 experience study), with generational mortality projection (to recognize future mortality improvement) utilizing Society of Actuaries Scale MP-2017
Disability retirements	California PERS mortality table for work-related disabled retirees (based on CalPERS 1997-2015 experience study), with generational mortality projection (to recognize future mortality improvement) utilizing Society of Actuaries Scale MP-2017

Changes of Assumptions

In Fiscal Year 2017/18, the inflation rate was lowered from 3.00 percent to 2.75 percent.

Discount Rate

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 667% funded ratio and the average age of the group (83).

The 6% long-term expected rate of return was based on an assumed long-term asset allocation of 57% equities, 38% fixed, and 5% cash with geometric rates of return of 4.53%, 1.47%, and 0.06% respectively, a 0.10% reduction for investment expenses, and a 0.25% margin for adverse deviation. The sensitivity of the Net Pension Liability/(Asset) 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)	(\$10,373,478)	(\$10,500,344)	(\$10,612,478)

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

C. Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 1,986,486	\$ 11,933,986	\$ (9,947,500)
Changes in the year:			
Interest	112,356	-	112,356
Net investment income	-	649,249	(649,249)
Differences between expected and actual experience	74,556	-	74,556
Changes of assumptions	(93,912)	-	(93,912)
Administrative expenses	-	(3,405)	3,405
Benefit payments	(227,770)	(227,770)	-
Net changes	(134,770)	418,074	(552,844)
Balance at June 30, 2018	\$ <u>1,851,716</u>	\$ <u>12,352,060</u>	\$ <u>(10,500,344)</u>

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense/(credit) of \$(393,778). At June 30, 2018, 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
Net differences between projected and actual earnings on plan investments	\$ <u>230,072</u>	\$ <u>-</u>
Total	\$ <u>230,072</u>	\$ <u>-</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2019	\$ 218,923
2020	\$ 122,618
2021	\$ (123,442)
2022	\$ 11,973

NOTE 9: OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City of Piedmont Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City. 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.

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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.

Benefits Provided

PEMHCA Benefit	<ul style="list-style-type: none"> • Eligibility: retire directly from the City under CalPERS Age 50 (52 for Miscellaneous PEPRAs members) and 5 years of service or Disability retirement • City contributes monthly the PEMHCA minimum benefit (\$133/month in 2018, \$136/month in 2019)
HRA Benefit (in addition to PEMHCA benefit)	<ul style="list-style-type: none"> • Eligibility: Hired before May 1, 2018 or January 1, 2018 depending on the MOU group Eligible for retirement under CalPERS • City pays premium up to cap • Benefit Cap (including PEMHCA benefit): Non-Medicare: Single - Active Cap (\$753.49 in 2019) 2-party Active Cap (\$1,506.98 in 2019) Family - applies PEMHCA Unequal Method to former active cap (\$1,547.26 in 2019) Medicare: Kaiser Senior Advantage premiums • Active Cap: 2013 Kaiser Bay Area premiums plus 50% of subsequent annual premium changes • PEMHCA Unequal Method: increase City contributions for retirees annually until they reach active cap, subject to maximum yearly increase \$100/mo
Other	<ul style="list-style-type: none"> • No dental, vision, or life benefits

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	91
Inactive employees currently receiving benefits	48
Inactive employees entitled to, but not yet receiving benefits	25
 Total	 164

Contributions

Following is a summary of the City's contribution policy:

- The City contributes \$100 per month for every Tier 1 active employee in addition to contributing the pay-as-you go cost.
- The City reimburses itself from the trust for a portion of benefit payments once the combined assets of the Police and Fire Pension Plan and the OPEB Plan exceed the combined liabilities.
- The Police and Fire Pension Plan assets are transferred to the OPEB trust once the Police and Fire Pension Plan no longer has participants.

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

The City's net OPEB liability ("NOL") was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost, level percentage of payroll
Expected Long Term Rate of Return on Investments	<ul style="list-style-type: none"> • 6.25% at June 30, 2018 • 6.75% at June 30, 2017
20-Year Municipal Bond	<ul style="list-style-type: none"> • 3.87% at June 30, 2018 • 3.58% at June 30, 2017
Discount Rate	<ul style="list-style-type: none"> • Bond Buyer 20-Bond GO Index • 5.52% at June 30, 2018 • 5.09% at June 30, 2017
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-17 for post-retirement mortality
Salary increases	<ul style="list-style-type: none"> • Aggregate - 3% • Merit - CalPERS 1997-2015 Experience Study
Medical Trend	<ul style="list-style-type: none"> • Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years. • Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
PEMHCA Minimum Increases	4.25%
Participation at Retirement	<ul style="list-style-type: none"> • Currently covered (Tier 1): 100% • Currently covered (Tier 2): 70% • Currently not covered: 0%
Coverage at Retirement	<ul style="list-style-type: none"> • 80% elect 2-party or family coverage at retirement • Miscellaneous - 15% have family coverage until age 65 • Safety - 30 have family coverage until age 65

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Roll back balance at June 30, 2017	\$ 25,842,000	\$ 7,171,000	\$ 18,671,000
Service cost	1,179,000	-	1,179,000
Interest cost	1,361,000	-	1,361,000
Actual vs. expected experience	(4,473,000)	-	(4,473,000)
Changes of benefit terms	(1,104,000)	-	(1,104,000)
Assumption changes	(2,016,000)	-	(2,016,000)
Contributions - employer	-	1,028,000	(1,028,000)
Net investment income	-	441,000	(441,000)
Benefit payments	(562,000)	(562,000)	-
Administrative expenses	<u>-</u>	<u>(2,000)</u>	<u>2,000</u>
Net change during 2017-18	<u>(5,615,000)</u>	<u>905,000</u>	<u>(6,520,000)</u>
Balance at June 30, 2018	<u>\$ 20,227,000</u>	<u>\$ 8,076,000</u>	<u>\$ 12,151,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability of the City if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (4.52%)	Current Discount Rate (5.52%)	1% Increase (6.52%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability	\$ <u>15,221,000</u>	\$ <u>12,151,000</u>	\$ <u>9,667,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following represents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate (Non-medicare 7.5% decreasing to 4.0%, Medicare 6.5% decreasing to 4.0%), for measurement period ended June 30, 2018:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability	\$ <u>9,590,000</u>	\$ <u>12,151,000</u>	\$ <u>15,406,000</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense/(credit) of \$(209,000). As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,674,000
Changes in assumptions	-	1,656,000
Net difference between projected and actual earnings on plan investments	47,000	-
Total	\$ 47,000	\$ 5,330,000

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2019	\$ (1,147,000)
2020	\$ (1,147,000)
2021	\$ (1,147,000)
2022	\$ (1,148,000)
2023	\$ (694,000)

NOTE 10: FUND BALANCE

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” 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.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10: FUND BALANCE (CONTINUED)

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 approval of a resolution. Currently, the City Council has not committed any fund balances. The City Council delegates authority to the Finance Director to assign amounts to be used for specific purposes. Assignments are less formal than commitments and can be changed by the Director of Finance.

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.

As of June 30, 2018, fund balances were comprised of the following:

	<u>General Fund</u>	<u>Measure BB Sales Tax</u>	<u>Equipment Replacement</u>	<u>Facilities Maintenance</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable						
Prepaid expenses	\$ 32,739	\$ -	\$ -	\$ -	\$ -	\$ 32,739
Advances	-	-	600,000	200,000	-	800,000
Total Nonspendable	<u>32,739</u>	<u>-</u>	<u>600,000</u>	<u>200,000</u>	<u>-</u>	<u>832,739</u>
Restricted						
Projects and services	-	-	-	-	1,269,832	1,269,832
Street projects	-	-	-	-	451,479	451,479
Schoolmates program	-	-	-	-	301,050	301,050
Measure D	-	-	-	-	69,634	69,634
Undergrounding administration	-	-	-	-	-	-
Measure B sales tax	-	-	-	-	7,479	7,479
Measure BB sales tax	-	2,380	-	-	-	2,380
COPS	-	-	-	-	436,134	436,134
Measure F	-	-	-	-	104	104
Athletic facility preservation	-	-	-	-	137,094	137,094
Abandoned vehicle	-	-	-	-	22,329	22,329
Section 115 Trust	2,752,527	-	-	-	-	2,752,527
Total Restricted	<u>2,752,527</u>	<u>2,380</u>	<u>-</u>	<u>-</u>	<u>2,695,135</u>	<u>5,450,042</u>
Assigned						
Capital improvement	-	-	-	-	121,611	121,611
Equipment replacement	-	-	3,203,441	-	-	3,203,441
Facilities maintenance	-	-	-	5,454,456	-	5,454,456
Sidewalk repair	-	-	-	-	69,296	69,296
Total Assigned	<u>-</u>	<u>-</u>	<u>3,203,441</u>	<u>5,454,456</u>	<u>190,907</u>	<u>8,848,804</u>
Unassigned	<u>5,505,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,505,454</u>
Total Fund Balance	<u>\$ 8,290,720</u>	<u>\$ 2,380</u>	<u>\$ 3,803,441</u>	<u>\$ 5,654,456</u>	<u>\$ 2,886,042</u>	<u>\$ 20,637,039</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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, 2018, the City contributed \$553,185 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, 2018, the City contributed \$495,131 for current year coverage.

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, 2018:

	General Liability		Workers' Compensation		Total	
	2018	2017	2018	2017	2018	2017
Beginning balance	\$ 77,250	\$ 90,593	\$ 967,000	\$ 973,000	\$ 1,044,250	\$ 1,063,593
Incurred claims	164,989	34,787	(8,664)	138,939	156,325	173,726
Claims paid	<u>(101,416)</u>	<u>(48,130)</u>	<u>(120,336)</u>	<u>(144,939)</u>	<u>(221,752)</u>	<u>(193,069)</u>
Ending Balance	<u>\$ 140,823</u>	<u>\$ 77,250</u>	<u>\$ 838,000</u>	<u>\$ 967,000</u>	<u>\$ 978,823</u>	<u>\$ 1,044,250</u>
Current portion	<u>\$ 36,991</u>	<u>\$ 21,397</u>	<u>\$ 265,258</u>	<u>\$ 300,252</u>	<u>\$ 302,249</u>	<u>\$ 321,649</u>

CITY OF PIEDMONT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 12: PARCEL TAX

The City of Piedmont is required by the Municipal 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, excluding the Pension Rate Stabilization Trust Fund, at June 30, 2018 did not exceed the 25 percent of expenditures limitation.

	Amount
General fund expenditures*	\$ 23,791,650
Fund balance limitation, 25% of expenditures	5,947,913
General fund balance at year end*	5,538,193
Amount below fund balance limitation	\$ 409,720

*Amounts exclude balances in the Pension Rate Stabilization Trust Fund.

NOTE 13: EXCESS EXPENDITURES AND TRANSFERS OUT OVER APPROPRIATIONS

The following funds incurred expenditures and transfers out in excess of appropriations in the following amounts for the year ended June 30, 2018:

Fund	Excess Expenditures and Transfers Out
General Fund	\$ 2,470,566
Measure BB Sales Tax	\$ 222,217
Measure D	\$ 2,617
Undergrounding Administration	\$ 78,984
Measure B Sales Tax	\$ 78,299
Measure F	\$ 23,276
2014 Pension Obligation Bonds	\$ 810

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.

Contracts

At June 30, 2018, the City had construction contracts outstanding of approximately \$725,046 related to various construction projects.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15: PRIOR PERIOD ADJUSTMENTS

Governmental Funds

The following governmental fund prior period adjustments were recorded by the City, effectively increasing fund balance as of July 1, 2017 by \$2,000,000. The net decrease resulted from the following:

<u>Description of Restatement</u>	<u>Net Position</u>
Fiscal year 2017 pension stabilization contribution	\$ <u>2,000,000</u>
Total government funds prior period adjustment	\$ <u><u>2,000,000</u></u>

Proprietary Funds

The following proprietary fund prior period adjustments were recorded by the City, effectively increasing fund balance as of July 1, 2017 by \$3,352,661. The net increase resulted from the following:

<u>Description of Restatement</u>	<u>Net Position</u>
Implementation of GASB 75 for OPEB	\$ (1,428,372)
Allocation of net pension liability across funds	(1,275,883)
Allocation of compensated absences across funds	(65,494)
Close out of Employee Benefits internal service fund	<u>6,122,410</u>
Total proprietary funds prior period adjustment	\$ <u><u>3,352,661</u></u>

Governmental Activities

The following governmental activities prior period adjustments were recorded by the City, effectively decreasing fund balance as of July 1, 2017 by \$8,683,043. The net decrease resulted from the following:

<u>Description of Restatement</u>	<u>Net Position</u>
Implementation of GASB 75 for OPEB	\$ (17,242,628)
Allocation of net pension liability across funds	1,275,884
Allocation of compensated absences across funds	(838,709)
Fiscal year 2017 pension stabilization contribution	2,000,000
Close out of Employee Benefits internal service fund	<u>6,122,410</u>
Total governmental activities prior period adjustment	\$ <u><u>(8,683,043)</u></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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
			Amounts	(Negative)
REVENUES				
Property taxes	\$ 12,580,000	\$ 12,580,000	\$ 13,375,005	\$ 795,005
Sales tax	200,000	200,000	191,892	(8,108)
Franchise tax	410,000	410,000	407,820	(2,180)
Utility users tax	1,195,000	1,195,000	1,248,554	53,554
Real property transfer tax	2,800,000	2,800,000	3,845,198	1,045,198
Business licenses and rental tax	425,000	425,000	563,454	138,454
Licenses and permits	448,500	448,500	588,652	140,152
Intergovernmental	1,418,000	1,418,000	2,017,433	599,433
Use of money and property	579,634	579,634	740,577	160,943
Parcel tax	2,192,400	2,192,400	2,197,571	5,171
Charges for services	2,936,330	3,185,030	3,544,879	359,849
Other revenues	75,000	75,000	1,036,323	961,323
	<u>25,259,864</u>	<u>25,508,564</u>	<u>29,757,358</u>	<u>4,248,794</u>
Total Revenues				
EXPENDITURES				
Current:				
Administration	2,859,085	2,911,085	2,848,426	62,659
Public works	4,301,363	4,319,863	3,559,873	759,990
Public safety:				
Police services	6,288,490	6,288,490	6,203,836	84,654
Fire services	5,710,750	5,710,750	5,959,922	(249,172)
Recreation	2,977,985	2,925,985	2,855,222	70,763
Nondepartmental	1,698,471	1,698,471	2,364,371	(665,900)
	<u>23,836,144</u>	<u>23,854,644</u>	<u>23,791,650</u>	<u>62,994</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	<u>1,423,720</u>	<u>1,653,920</u>	<u>5,965,708</u>	<u>4,185,800</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,117,000	1,117,000	881,295	(235,705)
Transfers out	<u>(2,717,924)</u>	<u>(2,717,924)</u>	<u>(5,251,484)</u>	<u>(2,533,560)</u>
	<u>(1,600,924)</u>	<u>(1,600,924)</u>	<u>(4,370,189)</u>	<u>(2,769,265)</u>
Total Other Financing Sources (Uses)				
Net change in fund balance	<u>\$ (177,204)</u>	<u>\$ 52,996</u>	<u>1,595,519</u>	<u>\$ 1,416,535</u>
Fund balance - July 1, 2017			4,695,201	
Prior period adjustment			<u>2,000,000</u>	
Fund balance - July 1, 2017, restated			<u>6,695,201</u>	
Fund balance - June 30, 2018			<u>\$ 8,290,720</u>	

CITY OF PIEDMONT
MEASURE BB SALES TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2017 - 2018			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Intergovernmental	\$ 417,993	\$ 417,993	\$ 420,134	\$ 2,141
Use of money and property	<u>-</u>	<u>-</u>	<u>5,665</u>	<u>5,665</u>
Total Revenues	<u>417,993</u>	<u>417,993</u>	<u>425,799</u>	<u>7,806</u>
<u>EXPENDITURES</u>				
Capital outlay	<u>439,517</u>	<u>439,517</u>	<u>661,734</u>	<u>(222,217)</u>
Total Expenditures	<u>439,517</u>	<u>439,517</u>	<u>661,734</u>	<u>(222,217)</u>
Net change in fund balance	\$ <u>(21,524)</u>	\$ <u>(21,524)</u>	<u>(235,935)</u>	\$ <u>230,023</u>
Fund balance - July 1, 2017			<u>238,315</u>	
Fund balance - June 30, 2018			\$ <u>2,380</u>	

**CITY OF PIEDMONT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY ACCOUNTING AND CONTROL
 FOR THE YEAR ENDED JUNE 30, 2018**

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. The budgetary comparison schedules present both the original adopted budget and the final budget with all amendments.

Budgetary Expenditures in Excess of Appropriations

The following funds had an excess of expenditures over appropriations at the legal level of budgetary control as follows:

<u>Fund</u>	<u>Expenditure</u>	<u>Excess of Expenditures over Appropriations</u>
Measure BB Sales Tax	Capital outlay	\$ 222,217

**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 Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30, 2018
Last 10 Years ***

	Measurement Period			
	2017	2016	2015	2014
Proportion of the net pension liability	0.26200 %	0.25701 %	0.24111 %	0.24773 %
Proportionate share of the net pension liability	\$ 25,982,764	\$ 22,238,992	\$ 16,549,792	\$ 15,419,642
Covered payroll	\$ 9,471,727	\$ 9,305,356	\$ 9,157,966	\$ 8,752,938
Proportionate share of the net pension liability as a percentage of covered employee payroll	274.32 %	238.99 %	180.71 %	176.17 %
Plan fiduciary net position as a percentage of the total pension liability	73.31 %	74.06 %	78.40 %	79.82 %

Notes to Schedule:

Changes in assumptions. In 2017, the accounting discount rate reduces from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction or pension administrative expense). In 2014, amounts reported were based on the 7.5 discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PENSION CONTRIBUTIONS
Prepared for the City's Miscellaneous and Safety Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30, 2018
Last 10 Years ***

	Fiscal Year-End			
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 2,521,862	\$ 2,295,957	\$ 2,072,601	\$ 1,934,849
Contributions in relation to the actuarially determined contributions	<u>2,521,862</u>	<u>2,295,957</u>	<u>2,072,601</u>	<u>1,934,849</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,265,025	\$ 9,471,727	\$ 9,305,356	\$ 9,157,966
Contributions as a percentage of covered payroll	24.57 %	24.24 %	22.27 %	21.13 %

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

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

	Fiscal Year-End				
	2018	2017	2016	2015	2014
Total Pension Liability					
Interest	\$ 112,356	\$ 119,038	\$ 141,412	\$ 148,653	\$ 156,380
Differences between expected and actual experience	74,556	-	(270,454)	-	-
Change of assumptions	(93,912)	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(227,770)</u>	<u>(233,036)</u>	<u>(251,005)</u>	<u>(287,175)</u>	<u>(283,192)</u>
Net change in total pension liability	(134,770)	(113,998)	(380,047)	(138,522)	(126,812)
Total pension liability - beginning	<u>1,986,486</u>	<u>2,100,484</u>	<u>2,480,531</u>	<u>2,619,053</u>	<u>2,745,865</u>
Total pension liability - ending (a)	<u>\$ 1,851,716</u>	<u>\$ 1,986,486</u>	<u>\$ 2,100,484</u>	<u>\$ 2,480,531</u>	<u>\$ 2,619,053</u>
Plan Fiduciary Net Position					
Net investment income	\$ 649,249	\$ 1,321,041	\$ (539,063)	\$ 213,159	\$ 1,837,733
Benefit payments, including refunds of employee contributions	(227,770)	(233,036)	(251,005)	(287,175)	(283,192)
Administrative expenses	<u>(3,405)</u>	<u>(7,183)</u>	<u>(2,025)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	418,074	1,080,822	(792,093)	(74,016)	1,554,541
Plan fiduciary net position - beginning	<u>11,933,986</u>	<u>10,853,164</u>	<u>11,645,257</u>	<u>11,719,273</u>	<u>10,164,732</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,352,060</u>	<u>\$ 11,933,986</u>	<u>\$ 10,853,164</u>	<u>\$ 11,645,257</u>	<u>\$ 11,719,273</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ (10,500,344)</u>	<u>\$ (9,947,500)</u>	<u>\$ (8,752,680)</u>	<u>\$ (9,164,726)</u>	<u>\$ (9,100,220)</u>
Fiduciary net position as a percentage of total pension liability	667 %	601 %	517 %	469 %	447 %
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

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

Employer Actuarial Determined Contribution for fiscal year June 30, 2018:

<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
2016	\$ -	\$ -	\$ -	\$ -	NA
2017	\$ -	\$ -	\$ -	\$ -	NA
2018	\$ -	\$ -	\$ -	\$ -	NA

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

* Fiscal year 2014 was the 1st year of implementation of GASB 67, therefore only five years are shown.

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
For the Measurement Periods Ended June 30
Last 10 Years*
(Amounts in 000's)**

	2018
Total OPEB liability	
Service cost	\$ 1,179
Interest	1,361
Changes of benefit terms	(1,104)
Actual vs. expected experience	(4,473)
Changes in assumptions	(2,016)
Benefit payments	(562)
Net change in total OPEB liability	(5,615)
Total OPEB liability, beginning	25,842
Total OPEB liability, ending (a)	\$ 20,227
 Plan fiduciary net position	
Contributions - employer	\$ 1,028
Net investment income	441
Benefit payments	(562)
Administrative expenses	(2)
Net change in plan fiduciary net position	905
Plan fiduciary net position, beginning	7,171
Plan fiduciary net position, ending (b)	\$ 8,076
Net OPEB liability, ending (a) - (b)	\$ 12,151
Plan fiduciary net position as a percentage of the total OPEB liability	39.93 %
Covered-employee payroll	\$ 11,022
Net OPEB liability as a percentage of covered-employee payroll	110.24 %

Notes to Schedule:

Changes of assumptions: The discount rate was changed from 5.09 percent (net of administrative expense) to 5.52 percent for the measurement period ended June 30, 2018.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

**CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF OPEB CONTRIBUTIONS
For the Fiscal Year Ended June 30
Last 10 Years*
(Amounts in 000's)**

	2018
Actuarially Determined Contribution (ADC)	\$ 1,028
Contributions in relation to the ADC	(1,028)
Contribution deficiency (excess)**	\$ -
Covered-employee payroll	11,022
Contributions as a percentage of covered-employee payroll	9.33%

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

** The City contributes \$100 per month for every Tier 1 active employee in addition to contributing the pay-as-you go cost.

COMBINING FINANCIAL SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

CITY OF PIEDMONT
EQUIPMENT REPLACEMENT - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 15,500	\$ 15,500	\$ 82,193	\$ 66,693
Total Revenues	<u>15,500</u>	<u>15,500</u>	<u>82,193</u>	<u>66,693</u>
<u>EXPENDITURES</u>				
Current:				
Public safety - police	262,500	262,500	40,279	222,221
Capital outlay	<u>1,068,787</u>	<u>1,068,787</u>	<u>610,887</u>	<u>457,900</u>
Total Expenditures	<u>1,331,287</u>	<u>1,331,287</u>	<u>651,166</u>	<u>680,121</u>
Excess (deficiency) of revenues over expenditures	<u>(1,315,787)</u>	<u>(1,315,787)</u>	<u>(568,973)</u>	<u>746,814</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>435,000</u>	<u>435,000</u>	<u>435,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>435,000</u>	<u>435,000</u>	<u>435,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (880,787)</u>	<u>\$ (880,787)</u>	<u>(133,973)</u>	<u>\$ 746,814</u>
Fund balance - July 1, 2017			<u>3,937,414</u>	
Fund balance - June 30, 2018			<u>\$ 3,803,441</u>	

CITY OF PIEDMONT
FACILITIES MAINTENANCE - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 900	\$ 900	\$ 2,130	\$ 1,230
Total Revenues	<u>900</u>	<u>900</u>	<u>2,130</u>	<u>1,230</u>
<u>EXPENDITURES</u>				
Current:				
Administration	30,000	30,000	108,486	(78,486)
Public works	5,000	5,000	4,962	38
Public safety - police	90,000	90,000	23,671	66,329
Public safety - fire	25,000	25,000	8,654	16,346
Recreation	543,000	543,000	387,229	155,771
Capital outlay	<u>1,158,626</u>	<u>1,189,626</u>	<u>927,871</u>	<u>261,755</u>
Total Expenditures	<u>1,851,626</u>	<u>1,882,626</u>	<u>1,460,873</u>	<u>421,753</u>
Excess (deficiency) of revenues over expenditures	<u>(1,850,726)</u>	<u>(1,881,726)</u>	<u>(1,458,743)</u>	<u>422,983</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>800,000</u>	<u>800,000</u>	<u>3,331,000</u>	<u>2,531,000</u>
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>800,000</u>	<u>3,331,000</u>	<u>2,531,000</u>
Net change in fund balance	<u>\$ (1,050,726)</u>	<u>\$ (1,081,726)</u>	<u>1,872,257</u>	<u>\$ 2,953,983</u>
Fund balance - July 1, 2017			<u>3,782,199</u>	
Fund balance - June 30, 2018			<u>\$ 5,654,456</u>	

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 Projects - 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.

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.

COPS - accounts for revenues and expenditures of the State of California funded Supplemental Law Enforcement Services grant.

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.

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.

Miscellaneous Grant Funds - established to record and track revenues received from various State, Federal and miscellaneous grants restricted for specific capital projects as approved by the granting source.

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, 2018

	Special Revenue Funds				
	<u>Streets Projects</u>	<u>Schoolmates Program</u>	<u>Projects and Services</u>	<u>Measure D</u>	<u>Abandoned Vehicle</u>
ASSETS					
Cash and investments	\$ 434,525	\$ 306,161	\$ 1,270,684	\$ 61,423	\$ 21,178
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	16,571	17,498	390	13,991	1,151
Interest	<u>383</u>	<u>272</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 451,479</u>	<u>\$ 323,931</u>	<u>\$ 1,271,074</u>	<u>\$ 75,414</u>	<u>\$ 22,329</u>
LIABILITIES					
Accounts payable	\$ -	\$ 12,848	\$ 1,242	\$ 5,780	\$ -
Accrued payroll and benefits	-	10,033	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>22,881</u>	<u>1,242</u>	<u>5,780</u>	<u>-</u>
FUND BALANCES					
Restricted	451,479	301,050	1,269,832	69,634	22,329
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>451,479</u>	<u>301,050</u>	<u>1,269,832</u>	<u>69,634</u>	<u>22,329</u>
Total Liabilities and Fund Balances	<u>\$ 451,479</u>	<u>\$ 323,931</u>	<u>\$ 1,271,074</u>	<u>\$ 75,414</u>	<u>\$ 22,329</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	Special Revenue Funds				
	<u>Undergrounding Administration</u>	<u>Measure B Sales Tax</u>	<u>COPS</u>	<u>Measure F</u>	<u>Athletic Facility Preservation</u>
ASSETS					
Cash and investments	\$ -	\$ 2,373	\$ 143,927	\$ -	\$ 134,006
Restricted cash and investments	-	-	296,665	-	-
Receivables:					
Accounts	-	72,158	31,270	8,280	3,088
Interest	-	3	401	-	-
	<u>-</u>	<u>3</u>	<u>401</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 74,534</u>	<u>\$ 472,263</u>	<u>\$ 8,280</u>	<u>\$ 137,094</u>
LIABILITIES					
Accounts payable	\$ -	\$ 11,204	\$ 36,129	\$ 1,596	\$ -
Accrued payroll and benefits	-	-	-	-	-
Due to other funds	-	55,851	-	6,580	-
	<u>-</u>	<u>55,851</u>	<u>-</u>	<u>6,580</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>67,055</u>	<u>36,129</u>	<u>8,176</u>	<u>-</u>
FUND BALANCES					
Restricted	-	7,479	436,134	104	137,094
Assigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>7,479</u>	<u>436,134</u>	<u>104</u>	<u>137,094</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 74,534</u>	<u>\$ 472,263</u>	<u>\$ 8,280</u>	<u>\$ 137,094</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	Capital Projects			Debt Service	Total Non-major Governmental Funds
	Capital Improvement	Sidewalk Repair	Misc. Grant Funds	2014 Taxable Pension Obligation Bonds	
ASSETS					
Cash and investments	\$ 123,546	\$ 68,576	\$ -	\$ -	\$ 2,566,399
Restricted cash and investments	-	-	-	-	296,665
Receivables:					
Accounts	-	720	99,000	-	264,117
Interest	-	-	-	-	1,059
Total Assets	\$ 123,546	\$ 69,296	\$ 99,000	\$ -	\$ 3,128,240
LIABILITIES					
Accounts payable	\$ 1,935	\$ -	\$ -	\$ -	\$ 70,734
Accrued payroll and benefits	-	-	-	-	10,033
Due to other funds	-	-	99,000	-	161,431
Total Liabilities	1,935	-	99,000	-	242,198
FUND BALANCES					
Restricted	-	-	-	-	2,695,135
Assigned	121,611	69,296	-	-	190,907
Total Fund Balances	121,611	69,296	-	-	2,886,042
Total Liabilities and Fund Balances	\$ 123,546	\$ 69,296	\$ 99,000	\$ -	\$ 3,128,240

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	<u>Streets Projects</u>	<u>Schoolmates Program</u>	<u>Projects and Services</u>	<u>Measure D</u>	<u>Abandoned Vehicle</u>
<u>REVENUES</u>					
Gas tax	\$ 295,033	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	4,589
Use of money and property	4,163	5,881	2	-	-
Charges for services	-	703,106	-	-	-
Measure B tax	-	-	-	-	-
Contributions and donations	-	-	407,151	-	-
Other revenue	-	-	-	42,218	-
Total Revenues	<u>299,196</u>	<u>708,987</u>	<u>407,153</u>	<u>42,218</u>	<u>4,589</u>
<u>EXPENDITURES</u>					
Current:					
Administration	-	-	-	-	-
Public works	-	-	-	10,297	-
Public safety:					
Police services	-	-	-	-	-
Street improvements	-	-	-	-	-
Recreation	-	730,936	-	-	-
Capital outlay	-	3,318	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>734,254</u>	<u>-</u>	<u>10,297</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>299,196</u>	<u>(25,267)</u>	<u>407,153</u>	<u>31,921</u>	<u>4,589</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(15,945)	(30,320)	(35,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(15,945)</u>	<u>(30,320)</u>	<u>(35,000)</u>
Net change in fund balances	299,196	(25,267)	391,208	1,601	(30,411)
Fund balances - July 1, 2017	<u>152,283</u>	<u>326,317</u>	<u>878,624</u>	<u>68,033</u>	<u>52,740</u>
Fund balances - June 30, 2018	<u>\$ 451,479</u>	<u>\$ 301,050</u>	<u>\$ 1,269,832</u>	<u>\$ 69,634</u>	<u>\$ 22,329</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	<u>Undergrounding Administration</u>	<u>Measure B Sales Tax</u>	<u>COPS</u>	<u>Measure F</u>	<u>Athletic Facility Preservation</u>
<u>REVENUES</u>					
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	167,206	47,297	-
Use of money and property	-	1,331	7,549	281	-
Charges for services	23,976	-	-	-	28,959
Measure B tax	-	454,197	-	-	-
Contributions and donations	-	-	-	-	33,000
Other revenue	-	-	-	-	-
Total Revenues	<u>23,976</u>	<u>455,528</u>	<u>174,755</u>	<u>47,578</u>	<u>61,959</u>
<u>EXPENDITURES</u>					
Current:					
Administration	41,970	-	-	-	-
Public works	40,944	-	-	-	-
Public safety:					
Police services	-	-	145,554	-	-
Street improvements	-	387,602	-	-	-
Recreation	-	-	-	-	-
Capital outlay	-	136,005	-	52,406	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>82,914</u>	<u>523,607</u>	<u>145,554</u>	<u>52,406</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(58,938)</u>	<u>(68,079)</u>	<u>29,201</u>	<u>(4,828)</u>	<u>61,959</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(10,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balances	(58,938)	(68,079)	29,201	(4,828)	51,959
Fund balances - July 1, 2017	<u>58,938</u>	<u>75,558</u>	<u>406,933</u>	<u>4,932</u>	<u>85,135</u>
Fund balances - June 30, 2018	<u>\$ -</u>	<u>\$ 7,479</u>	<u>\$ 436,134</u>	<u>\$ 104</u>	<u>\$ 137,094</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Projects			Debt Service	Total Non-major Governmental Funds
	Capital Improvement	Sidewalk Repair	Misc. Grant Funds	2014 Taxable Pension Obligation Bonds	
REVENUES					
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ 295,033
Intergovernmental	106,760	-	-	-	325,852
Use of money and property	-	-	-	-	19,207
Charges for services	-	-	-	-	756,041
Measure B tax	-	-	-	-	454,197
Contributions and donations	-	-	-	-	440,151
Other revenue	-	7,245	-	-	49,463
Total Revenues	<u>106,760</u>	<u>7,245</u>	<u>-</u>	<u>-</u>	<u>2,339,944</u>
EXPENDITURES					
Current:					
Administration	-	-	-	1,060	43,030
Public works	8,261	-	-	-	59,502
Public safety:					
Police services	-	-	-	-	145,554
Street improvements	-	-	-	-	387,602
Recreation	-	-	-	-	730,936
Capital outlay	428,950	-	-	-	620,679
Debt service:					
Principal	-	-	-	1,296,000	1,296,000
Interest and fiscal charges	-	-	-	91,674	91,674
Total Expenditures	<u>437,211</u>	<u>-</u>	<u>-</u>	<u>1,388,734</u>	<u>3,374,977</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(330,451)</u>	<u>7,245</u>	<u>-</u>	<u>(1,388,734)</u>	<u>(1,035,033)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,750	-	-	1,388,734	1,400,484
Transfers out	-	-	-	-	(91,265)
Total Other Financing Sources (Uses)	<u>11,750</u>	<u>-</u>	<u>-</u>	<u>1,388,734</u>	<u>1,309,219</u>
Net change in fund balances	(318,701)	7,245	-	-	274,186
Fund balances - July 1, 2017	<u>440,312</u>	<u>62,051</u>	<u>-</u>	<u>-</u>	<u>2,611,856</u>
Fund balances - June 30, 2018	<u>\$ 121,611</u>	<u>\$ 69,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,886,042</u>

CITY OF PIEDMONT
STREETS PROJECTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Gas tax	\$ 353,000	\$ 353,000	\$ 295,033	\$ (57,967)
Use of money and property	<u>150</u>	<u>150</u>	<u>4,163</u>	<u>4,013</u>
Total Revenues	<u>353,150</u>	<u>353,150</u>	<u>299,196</u>	<u>(53,954)</u>
<u>EXPENDITURES</u>				
Capital outlay	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total Expenditures	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Excess (deficiency) of revenues over expenditures	<u>233,150</u>	<u>233,150</u>	<u>299,196</u>	<u>66,046</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>	<u>350,000</u>
Total Other Financing Sources (Uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>	<u>350,000</u>
Net change in fund balance	<u>\$ (116,850)</u>	<u>\$ (116,850)</u>	<u>299,196</u>	<u>\$ 416,046</u>
Fund balance - July 1, 2017			<u>152,283</u>	
Fund balance - June 30, 2018			<u>\$ 451,479</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, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ 2,300	\$ 2,300	\$ 5,881	\$ 3,581
Charges for services	<u>650,000</u>	<u>650,000</u>	<u>703,106</u>	<u>53,106</u>
Total Revenues	<u>652,300</u>	<u>652,300</u>	<u>708,987</u>	<u>56,687</u>
<u>EXPENDITURES</u>				
Current:				
Recreation	739,750	739,750	730,936	8,814
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>3,318</u>	<u>1,682</u>
Total Expenditures	<u>744,750</u>	<u>744,750</u>	<u>734,254</u>	<u>10,496</u>
Net change in fund balance	<u>\$ (92,450)</u>	<u>\$ (92,450)</u>	<u>(25,267)</u>	<u>\$ 67,183</u>
Fund balance - July 1, 2017			<u>326,317</u>	
Fund balance - June 30, 2018			<u>\$ 301,050</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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 2	\$ 2
Contributions and donations	<u>91,000</u>	<u>91,000</u>	<u>407,151</u>	<u>316,151</u>
Total Revenues	<u>91,000</u>	<u>91,000</u>	<u>407,153</u>	<u>316,153</u>
<u>EXPENDITURES</u>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>91,000</u>	<u>91,000</u>	<u>407,153</u>	<u>316,153</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(55,000)</u>	<u>(55,000)</u>	<u>(15,945)</u>	<u>39,055</u>
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>(15,945)</u>	<u>39,055</u>
Net change in fund balance	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>391,208</u>	<u>\$ 355,208</u>
Fund balance - July 1, 2017			<u>878,624</u>	
Fund balance - June 30, 2018			<u>\$ 1,269,832</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, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Other revenues	\$ <u>35,000</u>	\$ <u>35,000</u>	\$ <u>42,218</u>	\$ <u>7,218</u>
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>42,218</u>	<u>7,218</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>21,000</u>	<u>21,000</u>	<u>10,297</u>	<u>10,703</u>
Total Expenditures	<u>21,000</u>	<u>21,000</u>	<u>10,297</u>	<u>10,703</u>
Excess (deficiency) of revenues over expenditures	<u>14,000</u>	<u>14,000</u>	<u>31,921</u>	<u>17,921</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(30,320)</u>	<u>(13,320)</u>
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(30,320)</u>	<u>(13,320)</u>
Net change in fund balance	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>1,601</u>	<u>\$ 4,601</u>
Fund balance - July 1, 2017			<u>68,033</u>	
Fund balance - June 30, 2018			<u>\$ <u>69,634</u></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, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,589	\$ 589
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>4,589</u>	<u>589</u>
Excess (deficiency) of revenues over expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,589</u>	<u>589</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (31,000)</u>	<u>\$ (31,000)</u>	<u>(30,411)</u>	<u>\$ 589</u>
Fund balance - July 1, 2017			<u>52,740</u>	
Fund balance - June 30, 2018			<u>\$ 22,329</u>	

CITY OF PIEDMONT
 UNDERGROUNDING ADMINISTRATION - SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2017 - 2018		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Charges for services	-	-	23,976	23,976
Total Revenues	\$ -	\$ -	\$ 23,976	\$ 23,976
<u>EXPENDITURES</u>				
Current:				
Administration	-	3,930	41,970	(38,040)
Public works	-	-	40,944	(40,944)
Total Expenditures	-	3,930	82,914	(78,984)
Net change in fund balance	\$ -	\$ (3,930)	(58,938)	\$ (55,008)
Fund balance - July 1, 2017			58,938	
Fund balance - June 30, 2018			\$ -	

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, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 1,331	\$ 1,331
Measure B tax	<u>444,363</u>	<u>444,363</u>	<u>454,197</u>	<u>9,834</u>
Total Revenues	<u>444,363</u>	<u>444,363</u>	<u>455,528</u>	<u>11,165</u>
<u>EXPENDITURES</u>				
Current:				
Street improvements	167,408	167,408	387,602	(220,194)
Capital outlay	<u>277,900</u>	<u>277,900</u>	<u>136,005</u>	<u>141,895</u>
Total Expenditures	<u>445,308</u>	<u>445,308</u>	<u>523,607</u>	<u>(78,299)</u>
Net change in fund balance	<u>\$ (945)</u>	<u>\$ (945)</u>	<u>(68,079)</u>	<u>\$ (67,134)</u>
Fund balance - July 1, 2017			<u>75,558</u>	
Fund balance - June 30, 2018			<u>\$ 7,479</u>	

CITY OF PIEDMONT
COPS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 167,206	\$ 37,206
Use of money and property	<u>950</u>	<u>950</u>	<u>7,549</u>	<u>6,599</u>
Total Revenues	<u>130,950</u>	<u>130,950</u>	<u>174,755</u>	<u>43,805</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety: Police	<u>-</u>	<u>537,874</u>	<u>145,554</u>	<u>392,320</u>
Total Expenditures	<u>-</u>	<u>537,874</u>	<u>145,554</u>	<u>392,320</u>
Net change in fund balance	<u>\$ 130,950</u>	<u>\$ (406,924)</u>	<u>29,201</u>	<u>\$ 436,125</u>
Fund balance - July 1, 2017			<u>406,933</u>	
Fund balance - June 30, 2018			<u>\$ 436,134</u>	

CITY OF PIEDMONT
MEASURE F - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 44,333	\$ 44,333	\$ 47,297	\$ 2,964
Use of money and property	<u>-</u>	<u>-</u>	<u>281</u>	<u>281</u>
Total Revenues	<u>44,333</u>	<u>44,333</u>	<u>47,578</u>	<u>3,245</u>
<u>EXPENDITURES</u>				
Current:				
Capital outlay	<u>29,130</u>	<u>29,130</u>	<u>52,406</u>	<u>(23,276)</u>
Total Expenditures	<u>29,130</u>	<u>29,130</u>	<u>52,406</u>	<u>(23,276)</u>
Net change in fund balance	<u>\$ 15,203</u>	<u>\$ 15,203</u>	<u>(4,828)</u>	<u>\$ (20,031)</u>
Fund balance - July 1, 2017			<u>4,932</u>	
Fund balance - June 30, 2018			<u>\$ 104</u>	

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, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Charges for services	\$ 53,000	\$ 53,000	\$ 28,959	\$ (24,041)
Contributions and donations	<u>-</u>	<u>-</u>	<u>33,000</u>	<u>33,000</u>
Total Revenues	<u>53,000</u>	<u>53,000</u>	<u>61,959</u>	<u>8,959</u>
<u>EXPENDITURES</u>				
Current:				
Recreation	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Excess (deficiency) of revenues over expenditures	<u>18,000</u>	<u>18,000</u>	<u>61,959</u>	<u>43,959</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund balance	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>51,959</u>	<u>\$ 33,959</u>
Fund balance - July 1, 2017			<u>85,135</u>	
Fund balance - June 30, 2018			<u>\$ 137,094</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, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ <u>35,085</u>	\$ <u>35,085</u>	\$ <u>106,760</u>	\$ <u>71,675</u>
Total Revenues	<u>35,085</u>	<u>35,085</u>	<u>106,760</u>	<u>71,675</u>
<u>EXPENDITURES</u>				
Current:				
Public works	35,085	35,085	8,261	26,824
Capital outlay	<u>526,902</u>	<u>806,975</u>	<u>428,950</u>	<u>378,025</u>
Total Expenditures	<u>561,987</u>	<u>842,060</u>	<u>437,211</u>	<u>404,849</u>
Excess (deficiency) of revenues over expenditures	<u>(526,902)</u>	<u>(806,975)</u>	<u>(330,451)</u>	<u>476,524</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	50,000	50,000	11,750	(38,250)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>11,750</u>	<u>(38,250)</u>
Net change in fund balance	\$ <u>(476,902)</u>	\$ <u>(756,975)</u>	<u>(318,701)</u>	\$ <u>438,274</u>
Fund balance - July 1, 2017			<u>440,312</u>	
Fund balance - June 30, 2018			<u>\$ <u>121,611</u></u>	

CITY OF PIEDMONT
SIDEWALK REPAIR - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Other revenues	\$ <u>3,000</u>	\$ <u>3,000</u>	\$ <u>7,245</u>	\$ <u>4,245</u>
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>7,245</u>	<u>4,245</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>7,245</u>	<u>\$ 7,245</u>
Fund balance - July 1, 2017			<u>62,051</u>	
Fund balance - June 30, 2018			<u>\$ 69,296</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, 2018

	<u>2017 - 2018</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
Current:				
Administration	\$ -	\$ -	\$ 1,060	\$ (1,060)
Debt service - principal	1,296,000	1,296,000	1,296,000	-
Debt service - interest	<u>91,924</u>	<u>91,924</u>	<u>91,674</u>	<u>250</u>
Total Expenditures	<u>1,387,924</u>	<u>1,387,924</u>	<u>1,388,734</u>	<u>(810)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,387,924)</u>	<u>(1,387,924)</u>	<u>(1,388,734)</u>	<u>(810)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>1,387,924</u>	<u>1,387,924</u>	<u>1,388,734</u>	<u>810</u>
Total Other Financing Sources (Uses)	<u>1,387,924</u>	<u>1,387,924</u>	<u>1,388,734</u>	<u>810</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2017			<u>-</u>	
Fund balance - June 30, 2018			<u>\$ -</u>	

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, 2018

Governmental Activities - Internal Service Funds

	Employee Benefits	Workers' Compensation	Insurance Liabilities	Total Internal Service Funds
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ -	\$ 1,719,745	\$ 377,884	\$ 2,097,629
Accounts receivable, net	-	<u>2,846</u>	-	<u>2,846</u>
Total Current Assets	-	<u>1,722,591</u>	<u>377,884</u>	<u>2,100,475</u>
Total Assets	\$ -	\$ <u>1,722,591</u>	\$ <u>377,884</u>	\$ <u>2,100,475</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ -	\$ 10,023	\$ 13,526	\$ 23,549
Claims payable - current	-	<u>265,259</u>	<u>36,991</u>	<u>302,250</u>
Total Current Liabilities	-	<u>275,282</u>	<u>50,517</u>	<u>325,799</u>
Non-Current Liabilities				
Claims payable	-	<u>572,741</u>	<u>103,832</u>	<u>676,573</u>
Total Non-Current Liabilities	-	<u>572,741</u>	<u>103,832</u>	<u>676,573</u>
Total Liabilities	-	<u>848,023</u>	<u>154,349</u>	<u>1,002,372</u>
<u>NET POSITION:</u>				
Unrestricted	-	<u>874,568</u>	<u>223,535</u>	<u>1,098,103</u>
Total Net Position	-	<u>874,568</u>	<u>223,535</u>	<u>1,098,103</u>
Total Liabilities and Net Position	\$ -	\$ <u>1,722,591</u>	\$ <u>377,884</u>	\$ <u>2,100,475</u>

CITY OF PIEDMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

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>				
Insurance and claims expenses	_____ -	485,638	616,756	1,102,394
Total Operating Expenses	_____ -	485,638	616,756	1,102,394
Operating Income (Loss)	_____ -	(485,638)	(616,756)	(1,102,394)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Other income	_____ -	614,638	553,186	1,167,824
Total Non-Operating Revenues	_____ -	614,638	553,186	1,167,824
<u>TRANSFERS</u>				
Transfers out	(904,204)	_____ -	_____ -	(904,204)
Total Transfers	(904,204)	_____ -	_____ -	(904,204)
Change in net position	(904,204)	129,000	(63,570)	(838,774)
Net Position - July 1, 2017	(5,218,206)	745,568	287,105	(4,185,533)
Prior period adjustment (Note 15)	6,122,410	_____ -	_____ -	6,122,410
Net Position - July 1, 2017, restated	904,204	745,568	287,105	1,936,877
Net Position - June 30, 2018	\$ _____ -	\$ 874,568	\$ 223,535	\$ 1,098,103

CITY OF PIEDMONT
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ -	\$ (609,152)	\$ (540,886)	\$ (1,150,038)
Net Cash Used for Operating Activities	<u>-</u>	<u>(609,152)</u>	<u>(540,886)</u>	<u>(1,150,038)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Other income	-	614,638	553,185	1,167,823
Transfers to other funds	<u>(957,222)</u>	<u>-</u>	<u>-</u>	<u>(957,222)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(957,222)</u>	<u>614,638</u>	<u>553,185</u>	<u>210,601</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(957,222)	5,486	12,299	(939,437)
Cash and Cash Equivalents - July 1, 2017	<u>957,222</u>	<u>1,714,259</u>	<u>365,585</u>	<u>3,037,066</u>
Cash and Cash Equivalents - June 30, 2018	<u>\$ -</u>	<u>\$ 1,719,745</u>	<u>\$ 377,884</u>	<u>\$ 2,097,629</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</u>				
Operating Loss	-	(485,638)	(616,756)	(1,102,394)
Changes in assets and liabilities:				
Increase in accounts receivable	-	(924)	-	(924)
Increase in accounts payable	-	6,410	12,298	18,708
(Decrease) increase in claims payable	<u>-</u>	<u>(129,000)</u>	<u>63,572</u>	<u>(65,428)</u>
Net Cash Used for Operating Activities	<u>\$ -</u>	<u>\$ (609,152)</u>	<u>\$ (540,886)</u>	<u>\$ (1,150,038)</u>

AGENCY FUNDS

All agency funds 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 Government-wide and Fund Financial Statements.

CITY OF PIEDMONT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2018

	2017 Undergrounding Refunding Bond Fund	Total
<u>ASSETS</u>		
Restricted cash and investments	\$ 297,704	\$ 297,704
Accounts receivable	<u>3,389</u>	<u>3,389</u>
Total Assets	\$ <u>301,093</u>	\$ <u>301,093</u>
<u>LIABILITIES</u>		
Deposits held in trust	<u>301,093</u>	<u>301,093</u>
Total Liabilities	\$ <u>301,093</u>	\$ <u>301,093</u>

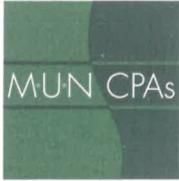
CITY OF PIEDMONT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<u>2017 Undergrounding Refunding Bond</u>				
ASSETS				
Restricted cash and investments	\$ -	\$ 584,436	\$ 286,732	\$ 297,704
Accounts receivable	<u>-</u>	<u>3,389</u>	<u>-</u>	<u>3,389</u>
Total Assets	<u>\$ -</u>	<u>\$ 587,825</u>	<u>\$ 286,732</u>	<u>\$ 301,093</u>
LIABILITIES				
Deposits in trust	<u>-</u>	<u>587,825</u>	<u>286,732</u>	<u>301,093</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 587,825</u>	<u>\$ 286,732</u>	<u>\$ 301,093</u>
<u>Dudley/Blair</u>				
ASSETS				
Restricted cash and investments	\$ 143,027	\$ 1,048,604	\$ 1,191,631	\$ -
Accounts receivable	<u>1,839</u>	<u>-</u>	<u>1,839</u>	<u>-</u>
Total Assets	<u>\$ 144,866</u>	<u>\$ 1,048,604</u>	<u>\$ 1,193,470</u>	<u>\$ -</u>
LIABILITIES				
Deposits in trust	<u>144,866</u>	<u>908,465</u>	<u>1,053,331</u>	<u>-</u>
Total Liabilities	<u>\$ 144,866</u>	<u>\$ 908,465</u>	<u>\$ 1,053,331</u>	<u>\$ -</u>
<u>Wildwood/Crocker</u>				
ASSETS				
Restricted cash and investments	\$ 49,802	\$ 487,909	\$ 537,711	\$ -
Accounts receivable	<u>2,112</u>	<u>-</u>	<u>2,112</u>	<u>-</u>
Total Assets	<u>\$ 51,914</u>	<u>\$ 487,909</u>	<u>\$ 539,823</u>	<u>\$ -</u>
LIABILITIES				
Deposits in trust	<u>\$ 51,914</u>	<u>\$ 443,438</u>	<u>\$ 495,352</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 51,914</u>	<u>\$ 443,438</u>	<u>\$ 495,352</u>	<u>\$ -</u>
<u>Piedmont Hills Underground</u>				
ASSETS				
Restricted cash and investments	\$ 276,335	\$ 3,384,918	\$ 3,661,253	\$ -
Accounts receivable	<u>1,070</u>	<u>-</u>	<u>1,070</u>	<u>-</u>
Total Assets	<u>\$ 277,405</u>	<u>\$ 3,384,918</u>	<u>\$ 3,662,323</u>	<u>\$ -</u>
LIABILITIES				
Deposits in trust	<u>277,405</u>	<u>2,738,218</u>	<u>3,015,623</u>	<u>-</u>
Total Liabilities	<u>\$ 277,405</u>	<u>\$ 2,738,218</u>	<u>\$ 3,015,623</u>	<u>\$ -</u>

CITY OF PIEDMONT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Total Agency Funds</u>				
ASSETS				
Restricted cash and investments	\$ 469,164	\$ 5,505,867	\$ 5,677,327	\$ 297,704
Accounts receivable	<u>5,021</u>	<u>3,389</u>	<u>5,021</u>	<u>3,389</u>
Total Assets	<u>\$ 474,185</u>	<u>\$ 5,509,256</u>	<u>\$ 5,682,348</u>	<u>\$ 301,093</u>
LIABILITIES				
Deposits in trust	<u>474,185</u>	<u>4,677,946</u>	<u>4,851,038</u>	<u>301,093</u>
Total Liabilities	<u>\$ 474,185</u>	<u>\$ 4,677,946</u>	<u>\$ 4,851,038</u>	<u>\$ 301,093</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, 2018, and the related notes to the financial statements, which collectively comprise the City of Piedmont's basic financial statements, and have issued our report thereon dated April 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Piedmont's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Man Out NLCPAs

Sacramento, California
April 22, 2019