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**NOTES TO THE BASIC**

**FINANCIAL STATEMENTS**

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1.** **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Reporting Entity***

The City of Clayton (City) is primarily a residential community nestled in the foothills of Mount Diablo in Contra Costa County, California. The City was incorporated on March 3, 1964 under the laws of the State of California, and encompasses approximately four square miles with a population of 11,700. The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager totaling a staff of twenty-six and a fifth (26.2) full-time equivalent employees providing the following services: public works, parks and recreation services, community and economic development, public safety, and general government. The City’s public safety program is served by an in-house police force of eleven (11) full-time sworn police officers supported by two (2) full-time administrative personnel.

The basic financial statements include the financial activities of the City, Successor Agency to the Clayton Redevelopment Agency (Successor Agency) and the Clayton Financing Authority (Authority).

The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Clayton Redevelopment Agency (“RDA”), which was dissolved as of February 1, 2012 was accounted for as a "blended" component unit of the City. Despite being legally separate, this entity was so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit were reported within the funds of the City. Upon the dissolution of the RDA, the RDA ceased to be reported as a blended component unit and was replaced by the Successor Agency, which is reported as a private purpose trust fund in the fiduciary fund section of the financial statements.

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, by and between the City and the former RDA of the City of Clayton with the City Council serving as the Board of Directors. It was created by the City of Clayton City Council in 1990 with the primary purpose of issuing bonded obligations to finance capital projects within the community for which repayment is secured by pledges of revenue from legally separate and distinct districts. The activities of the Authority are reported in the fiduciary fund financial statement section as the Authority’s debt is secured entirely by third parties that are not part of the primary government of the City and the City has no obligation for such debt. Separate financial statements of the Authority are available at the City’s website at www. ci. clayton. ca. gov.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Basis of Accounting and Measurement Focus***

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

Government-Wide Financial Statements

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

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

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

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

Charges for services

Operating grants and contributions Capital grants and contributions

Certain eliminations have been made in regards to inter-fund activities, payables and receivables. All internal balances in the statement of net position have been eliminated in the statement of activities; internal service fund transactions have been eliminated. However, those transactions between governmental and business-type activities have not been eliminated. The following inter-fund activities have been eliminated:

Advances to/from other funds Due to/from other funds

Transfers in/out

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Basis of Accounting and Measurement Focus, Continued***

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position as presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

Governmental Fund Financial Statements

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

Revenues are recorded when received in cash, except those revenues subject to accrual (generally sixty

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

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

The reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of *GASB Statement No. 34*. The City has the following major governmental funds:

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

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Basis of Accounting and Measurement Focus, Continued***

*Landscape Maintenance District* – This special revenue fund accounts for the Community Facility District No. 2007-1 restricted special parcel tax approved over two-thirds the local electorate in the June 2016 election through the passing of “Measure H. ” This special parcel tax is restricted to fund the operation, maintenance, and improvement of specific city-wide public landscaped areas.

*Successor Housing Agency* – This special revenue fund accounts for the City’s low and moderate housing program, which was assumed by the by City Council action upon dissolution of the former redevelopment agency. Program revenue of this fund is primarily generated through the repayment on low-moderate income housing loans.

*Capital Improvement Program* - This capital projects fund accounts for the projects identified in the capital improvement program funded by various federal and state grants as well as through transfers from the General Fund.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and change in fund net position, and a statement of cash flows for all proprietary funds. Internal service funds are presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City has the following major enterprise fund:

*Endeavor Hall* - This fund accounts for all activities related to use of the facility. The primary use has been for wedding receptions.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Basis of Accounting and Measurement Focus, Continued*** The City has the following internal service funds:

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

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

*Pension Rate Stabilization Fund -* This fund stabilizes major fluctuations in annual employer pension costs driven by market factors and actuarial changes.

Fiduciary Fund Financial Statements

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

Private purpose trust funds account for resources held by the City as trustee for third party beneficiaries, and are used to report both the fiduciary net position and changes in fiduciary net position of the Successor Agency to the former Redevelopment Agency. Private purpose trust funds are accounted for under the full accrual basis of accounting.

***Use of Restricted and Unrestricted Net Position***

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

***Cash Equivalents***

For purposes of reporting cash flows for the City’s proprietary funds, pooled cash and investments held by the City are considered cash equivalents as the proprietary fund can access pooled cash and investments in a manner similar to a demand deposit.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Cash and Investments***

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Interest income on investments is allocated to the funds on the basis of average month- end cash and investment balances. Investments are carried at fair value. Fair value is based on quoted market price if applicable. Otherwise the fair value hierarchy is as follows:

Level 1 – Values are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs, other than quoted prices, included within Level 1 that are observable for the asset or liabilities at the measurement date.

Level 3 – Certain inputs are unobservable inputs (supported by little or no market activity, such as the City’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date).

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

The City’s investment policy (Policy) states that the primary investment objective is safety with investments being legally permitted and sufficiently liquid to meet forecasted needs. Maximization of interest earnings is a secondary objective. Further, the Policy states that the City Treasurer has the ultimate responsibility to protect, preserve and maintain cash and investments. The Policy also established internal controls and reporting requirements. The Policy stipulates "Permitted Investments and Limitation on Investments. " The City invests in the California LAIF, which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio. A portion of LAIF's investments are in structured notes and asset-backed securities.

Investments held with CAMP are recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City participates in the California Asset Management Program (CAMP) which is a voluntary investment alternative authorized by Section 53601(p) of the California Government Code. CAMP is managed by a seven-member Board of Trustees comprised of California public agency finance officials. Investments are transacted by an investment advisor and all securities are held by a third-party custodian. All securities in CAMP are purchased under the authority of Section 53601, subdivisions (a) to (n) of the California Government Code.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Cash and Investments, Continued***

Certain disclosure requirements, if applicable, for deposits and investment risks are specified in the following areas:

Interest Rate Risk Credit Risk

1. Overall
2. Custodial Credit Risk
3. Concentrations of Credit Risk

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

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by amounts included nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net position. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Investment in Affordable Housing***

This City Successor Housing Agency special revenue fund has purchased and re- sold several housing properties located in Stranahan Circle to low and moderate income households. The City carries the difference between the cost and sale on these properties as an investment in affordable housing until the property is either bought back by the City or sold on the open market. The City participates in the profits on any sales of these properties to an outside party in the same proportion as what the low and moderate income purchaser acquired the property from the City at the below market subsidized value. The City reports the investment in affordable housing at its proportionate equity share of the fair market value of the underlying properties at year-end. Stranahan Circle properties are considered “level 2” investments. The City values their interest in the properties annually using third party published market inputs. At June 30, 2022 the fair value was $3,170,453, which includes an increase of $131,382 for the year then ended.

***Capital Assets***

Capital assets are valued at cost or, during the initial implementation, estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. City policy has set the capitalization threshold for reporting infrastructure at $100,000; all other capital assets

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Capital Assets, Continued***

are set at $5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings 50 years

Improvements other than buildings 20 – 75 years Vehicles, machinery and equipment 5 – 10 years

Infrastructure 20 – 75 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the current basic financial statements. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2003. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition.

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

***Long-Term Liabilities***

In the government- wide financial statements, long-term debt and other financial obligations are reported as liabilities in the appropriate activities columns. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Long-Term Liabilities, Continued***

The governmental fund financial statements do not present long-term debt, which are shown in the reconciliation of the governmental funds balance sheet to the government -wide statement of net position. Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Compensated Absences***

In the government-wide financial statements compensated absences are recorded as incurred and related expenses and liabilities are reported by activity. The long-term portion of governmental activities is liquidated primarily by the General Fund. In the governmental funds compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30th from future resources, rather than currently available financial resources. Compensated absences include vacation as well as compensated leave hours earned in-lieu of overtime. It is the policy of the City to pay up to and capped at a maximum of eighteen (18) times an employee’s capped monthly vacation accrual upon retirement or termination.

***Pensions***

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

***Other Post-Employment 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, if any, are reported at fair value.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Other Post-Employment Benefits (OPEB), Continued***

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, 2022

Measurement Date June 30, 2022

Measurement Period July 1, 2021 – June 30, 2022

***Leases***

The City is a lessee for noncancelable equipment leases. The City recognizes a lease liability and an intangible right-to-use asset (lease asset) in its financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

***Net Position / Fund Balances***

Government-Wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

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

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

*Unrestricted Net Position* - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position. " Nonspendable governmental funds balances are categorized as unrestricted net position on the government-wide financial statements.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Net Position / Fund Balances, Continued*** Fund Balance Reporting

Equity of governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority, commits and assigns fund balances through the passing of resolutions and ordinances, requiring an equal action for modification or rescinding thereof. It is the policy of the City to spend funds in order from restricted to unassigned, as listed below.

Fund balances for the governmental funds are made up of the following:

*Non-spendable* – Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.

*Restricted* – Includes amounts that should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Includes amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Includes amounts constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.

*Unassigned* – The residual funds that have not been assigned to other funds, are not non-spendable, restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance.

The City Council has formally adopted a policy requiring a minimum General Fund reserve contingency of $250,000.

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

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Reclassifications***

Certain prior year balances may have been reclassified in order to conform to current year presentation.

These reclassifications had no effect upon reported net position.

***Use of Estimates***

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

***Inter-fund Balances/Internal Balances***

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances. "

***New Accounting Pronouncements***

The following Governmental Accounting Standards Board Statements have been implemented in the current financial statements:

GASB Statement No. 87, *“Leases”*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement will increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model.

This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements. The implementation of this pronouncement had a material impact on the City’s financials.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *New Accounting Pronouncements, Continued***

GASB Statement No. 89, *“Accounting for Interest Cost Incurred before the End of a Construction Period”* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The implementation of this pronouncement did not have a material impact on the City’s financials.

GASB Statement No. 92 *“Omnibus 2020”*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The topics include but are not limited to leases, intra-entity transfers between a primary government and a post-employment benefit plan component unit, accounting for pensions and OPEB related assets, measurement of liabilities related to asset retirement obligations, and nonrecurring fair value measurements of assets or liabilities. The implementation of this pronouncement did not have a material impact on the City’s financials.

GASB Statement No. 93 *“Replacement of Interbank Offered Rates”*

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offer Rate (IBOR). This Statement achieves that objective by:

Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment

Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate

Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged transaction is probable

Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *New Accounting Pronouncements, Continued***

Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.

Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended.

The removal of London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (fiscal year 2022-23). The City is currently evaluating the potential impact on the City’s financials.

All other requirements of this Statement are effective for the current fiscal year, and did not have a material impact on the financial statements.

GASB Statement No. 97 *“Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32”*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this pronouncement did not have a material impact on the City’s financials.

GASB Statement No. 98, *The Annual Comprehensive Financial Report -* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this Statement did not have a material effect on the City’s financial statements.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Future Accounting Pronouncements***

The following Governmental Accounting Standards Board Statements are effective in future years subsequent to the current financial reporting period:

GASB Statement No. 91 *“Conduit Debt Obligations”*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders’ uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers’ roles in conduit debt obligations.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (fiscal 2023). Earlier application is encouraged. The City is currently evaluating the potential impact on the City’s financials.

GASB Statement No. 94 *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements”*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Future Accounting Pronouncements, Continued***

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government’s financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government’s PPPs and evaluate a government’s future obligations and assets resulting from PPP.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The City is currently evaluating the potential impact on the City’s financials.

GASB Statement No. 96 *“Subscription-Based Information Technology Arrangements”*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset— an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government’s financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government’s SBITA activities and evaluate a government’s obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The City is currently evaluating the potential impact on the City’s financials.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Future Accounting Pronouncements, Continued***

GASB Statement No. 99, “*Omnibus 2022”* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public- public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

Clarification of provisions in Statement No. 96, Subscription-Based Information Technology

Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)

Disclosures related to nonmonetary transactions

Pledges of future revenues when resources are not received by the pledging government

Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements

Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective for the current fiscal year and did not have a material impact on the City’s financial statements.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Future Accounting Pronouncements, Continued***

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 (fiscal 2022-23), and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (fiscal 2023-24), and all reporting periods thereafter.

GASB Statement No. 100, “*Accounting Changes and Error Corrections–An Amendment of GASB Statement No. 62”*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (fiscal 2023-24), and all reporting periods thereafter. Implementation of this Statement may have a material effect on the financial statements of the City.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued *Future Accounting Pronouncements, Continued***

GASB Statement No. 101, “*Compensated Absences”*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (fiscal 2024-25), and all reporting periods thereafter. Earlier application is encouraged. The City does not anticipate that the Statement will have a material effect on the financial statements.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**2.** **CASH AND INVESTMENTS**

***Classification***

The City’s total cash and investments, at fair value, are presented on the accompanying financial statements in the following allocation:

|  |  |  |
| --- | --- | --- |
| Government-Wide Statement of Net Position |  |  |
| Governmental Activities |  |  |
| Cash and investments | $ | 13,441,679 |
| Statements of Fiduciary Net Position |  |  |
| Private Purpose Trust Fund |  |  |
| Cash and investments |  | 526,807 |
| Cash and investments with fiscal agents |  | 1 |
| Agency Funds |  |  |
| Cash and investments |  | 1,632,920 |
| Cash and investments with fiscal agents |  | 376,103 |
| Investments in bonds |  | 470,000 |
| Total | $ | 16,447,510 |
| Cash and investments as of June 30, 2022 consist of the following: |  |  |
| Cash on hand | $ | 1,000 |
| Deposits with financial institutions |  | 1,129,766 |
| Investments |  | 15,316,744 |
| Total | $ | 16,447,510 |



***Policy***

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

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | Maximum |  | Maximum |
|  |  | Maximum |  | Percentage of |  | Percentage of |
| Authorized Investment Type |  | Maturity |  | Portfolio |  | One Issuer |
| Local Agency Investment Fund (State Pool) |  | N/A |  | None |  | $40 million |
| CAMP |  | N/A |  | None |  | None |
| Money Market Funds |  | N/A |  | None |  | None |
| U. S. Treasury Obligations |  | 5 years |  | None |  | None |
| U. S. Government Agency Issues |  | 5 years | 20% | |  | None |
| Bank Deposits |  | N/A |  | None |  | None |
| Negotiable Time Certificates of Deposit |  | 5 years |  | None |  | None |
| Medium Term Corporate Bonds |  | 5 years | 20% | |  | None |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**2. CASH AND INVESTMENTS, Continued**

***Policy, Continued***

Investments Authorized by Debt Agreements

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

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

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Usually, the later the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | Remaining Maturity (in Months) | | | | | | | |  |  |  |
|  |  |  |  |  | 12 Months or | | |  | 13-24 |  |  | 25-36 |  |  | 37-48 |  |  | 49-60 |  |
| **Investment Type** |  |  | Totals | |  | Less | |  | Months | |  | Months | |  | Months | |  | Months |  |
| Pooled Investments: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Local Agency Investment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fund (LAIF) | $ | | 2,962,837 |  | $ | 2,962,837 | | $ | - | | $ | - | | $ | - | | $ | - |  |
| California Asset Management |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Program (CAMP) |  |  | 893,134 |  |  | 893,134 | |  | - | |  | - | |  | - | |  | - |  |
| Certificates of Deposit |  |  | 8,759,339 | |  | 3,192,907 | |  | 1,072,876 | |  | 1,365,264 | |  | 1,872,289 | |  | 1,256,003 |  |
| Government Securities |  |  | 1,981,454 |  |  | - | |  | 482,325 | |  | 137,958 | |  | 862,826 | |  | 498,345 |  |
| Held by Bond Trustees: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| U. S. Treasury Note |  |  | 249,980 |  |  | 249,980 | | - |  |  | - |  |  | - |  |  | - |  |  |
| Municipal Bonds |  |  | 470,000 |  |  | 470,000 | |  | - | |  | - | |  | - | |  | - |  |
| Total Investments |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 15,316,744 |  | $ | 7,768,858 | | $ | 1,555,201 | | $ | 1,503,222 | | $ | 2,735,115 | | $ | 1,754,348 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**2. CASH AND INVESTMENTS, Continued**

***Credit Risk***

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Investment Type |  |  | AAA | |  | AA+ | |  | A | |  | Unrated |  | Total |  |
| Pooled Investments: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Local Agency Investment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fund (LAIF) | $ | | - |  | $ | - | | $ | - | | $ | 2,962,837 | $ | 2,962,837 |  |
| California Asset Management |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Program (CAMP) |  |  | 893,134 |  |  | - | |  | - | |  | - |  | 893,134 |  |
| Certificates of Deposit |  |  | - |  |  | - | |  | - | |  | 8,759,339 |  | 8,759,339 |  |
| Government securities |  |  | 1,981,454 | |  | - | |  | - | |  | - |  | 1,981,454 |  |
| Held by Bond Trustees: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| U.S. Treasury Note |  |  | - |  |  | - | |  | - | |  | 249,980 |  | 249,980 |  |
| Municipal Bonds |  |  | - |  |  | - | |  | - | |  | 470,000 |  | 470,000 |  |
| Total Investments |  |  |  |  |  |  |  |  |  |  | $ | 12,442,156 |  |  |  |
|  | $ | 2,874,588 |  | $ | - | | $ | - | | $ | 15,316,744 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



***Concentration of Credit Risk***

This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Accordingly, the notes to the financial statements should disclose if the government has five (5) percent or more of its total investments in a single issuer. More than five percent of the City’s investments are with the “Middle School” Community Facilities District No. 1990-1.

***Custodial Credit Risk***

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

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**2. CASH AND INVESTMENTS, Continued**

***Investment Fair Value***

The City has the following recurring fair value measurements as of June 30, 2022:

U. S. government agency note, certificates of deposit, Local Agency Investment Fund (LAIF), and California Asset Management Program (CAMP) values are based on unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date [Level 1 inputs].

Municipal bonds are valued based on unobservable inputs (supported by little or no market activity, such as the City’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date) [Level 3 inputs].

The City is a voluntary participant in the LAIF and the CAMP that are 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 and CAMP for the entire respective portfolios (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and CAMP, which are recorded on an amortized cost basis.

**3.** **LOANS AND NOTES RECEIVABLE**

The following is a summary of loans and notes receivable of the City for the year ended June 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Balance |  |  |  |  |  |  | Balance at | | |  |
| Successor Housing Agency: | July 1, 2021 | |  | Additions |  |  | Deletions |  | June 30, 2022 | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Diamond Terrace P. A. M. Note | $ | 2,833,600 | $ | | - | $ | (111,400) | $ | | 2,722,200 | |  |
| Eden Affordable Housing Note |  | 567,000 |  |  | - |  | - |  |  | 567,000 | |  |
| Stranahan Affordable Housing Notes |  | 22,350 |  |  | - |  | - |  |  | 22,350 | |  |
| Total Successor Housing Agency |  | 3,422,950 |  |  | - |  | (111,400) |  |  | 3,311,550 | |  |
| Total Notes Receivable | $ | 3,422,950 | $ | | - | $ | (111,400) | $ | | 3,311,550 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |



Diamond Terrace Note

On September 21, 1999, the former RDA low-moderate housing fund made a loan to the Professional Apartment Management, Inc. ("PAM") in the amount of $750,000, at a non-interest bearing rate, to construct and develop an affordable senior assisted living center on the site known as "Diamond Terrace." The note is secured by the Deed of Trust. The former RDA loaned an additional $1,286,000 on October 24, 2001. On December 1, 2003, PAM began drawing on a $2,000,000 loan from the former RDA in the amount of $200,000 annually. The principal balance is payable commencing on October 1, 2005 through October 1, 2030. The balance of the loan due to the Successor Housing Agency was $2,722,200 at June 30, 2022.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**3. LOANS AND NOTES RECEIVABLE, Continued** Eden Housing Loan

On October 13, 1992, the former RDA low-moderate housing fund made a loan to the Peace Grove, Inc. in the amount of $567,000, at a non-interest bearing rate, for the purchase of land for a redevelopment and housing project for low-income mental health system clients. The loan is secured by the Deed of Trust. The principal balance is payable on December 18, 2052. As of June 30, 2022, the outstanding balance of the loan due to the Successor Housing Agency was $567,000.

Stranahan Affordable Housing Loans

The former RDA low-moderate housing fund participated in a second mortgage assistance program, whereby qualified applicants are loaned money for a "silent second" down payment to purchase a home in the Stranahan Development within the City. There are five individual loans outstanding. Interest is accrued on the principal for the first 15-35 years and then the total of accrued interest and principal is forgiven over the last 10 years of the term of the lease. As of June 30, 2022, the outstanding balance of the loans due to the Successor Agency was $22,350 of principal. The collectability of the accrued interest on these notes ($31,348) is doubtful and an allowance has been recorded to offset the full amount.

**4.** **INTERFUND TRANSACTIONS**

***Due To, Due From***

At June 30, 2022, the City had the following short-term interfund receivables and payables:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Due from** | | | | | |  |  |
|  |  | Non-major |  |  |  |  |  |  |  |
|  |  | Governmental |  |  |  | Endeavor | |  |  |
| **Due to** |  | Funds |  |  |  | Hall |  |  | Total |
| General Fund | | $ | - |  | $ | 120,983 |  | $ | 120,983 |
| Total | | $ | - |  | $ | 120,983 | | $ | 120,983 |
|  |  |  |  |  |  |  |  |  |  |

General Fund cash flow loans totaling $ 120,983 were made to Endeavor Hall. The balance of the Endeavor Hall receivable is expected to be repaid from future facility rental fees.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**4.** **INTERFUND TRANSACTIONS, Continued**

***Interfund Transfers***

The following is a summary of the City’s interfund transfers for the year ended June 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Transfers In** | | | | |  |  |  |  |
|  |  |  |  |  |  |  | Capital | | |  | Non-major |  |  |  |  |
|  |  |  | General |  |  | Improvement | | | | Governmental | |  |  |  |  |
| **Transfers Out** | |  | Fund |  |  |  | Program | | |  | Funds |  |  |  | Total |
| Landscape Management | | $ | 40,679 |  |  | $ | - |  |  | $ | 1,130 |  |  | $ | 41,809 |
| American Rescue Plan Act | |  | 1,467,024 |  |  |  | - |  |  |  | - |  |  |  | 1,467,024 |
| Non-major Governmental Funds | |  | 89,978 |  |  |  | 1,632,609 |  |  |  | 20,084 |  |  |  | 1,742,671 |
| Total |  | $ | 1,597,681 |  |  | $ | 1,632,609 |  |  | $ | 21,214 |  |  | $ | 3,251,504 |



The City transferred money into the General Fund from the following funds: Landscape Maintenance, Gas Tax HUTA, the Grove Park District, Oakhurst Geological Hazard Abatement District, Neighborhood Street Lighting District, Measure J Grants, Grants, American Rescue Act Plan grant, and Stormwater Treatment Assessment District to reimburse the City for administrative support activities. In addition, the City transferred money into the Capital Improvement Program from Gas Tax HUTA, Gas Tax RMRA, and Measure J Grants to fund project costs associated with the Stormwater Treatment Assessment District.

**5.** **LEASES**

The City has several leasing arrangements, summarized below.

The City has accrued liabilities for two equipment leases. The discount rate used in the calculation of the lease liabilities were 3.69% and 5.00%. The remaining liability for the leases was $244,640 as of June 30, 2022. Right -to -use assets, net of amortization, for the leases totaled $216,692 as of June 30, 2022. The City is required to make principal and interest payments of $924 a month through July 2023, and $33,525 a year through September 2028.

The City’s schedule of future payments included in the measurement of the lease liability is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year | | Principal |  | Interest |  | Total |
| Ending June 30, | |  |  |  |  |  |
| 2023 |  | $ 44,718 | $ 339 | | $ 45,057 | |
| 2024 |  | 33,833 | 616 | | 34,449 | |
| 2025 |  | 33,014 | 511 | | 33,525 | |
| 2026 |  | 33,116 | 409 | | 33,525 | |
| 2027 |  | 33,217 | 307 | | 33,524 | |
| 2028-2029 |  | 66,742 |  | 308 |  | 67,040 |
| Total | | $ 244,640 | $ 2,490 | | $ 247,130 | |
|  |  |  |  |  |  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**6. CAPITAL ASSETS**

***Government-Wide Financial Statements***

As of June 30, 2022 the City's capital assets consisted of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Governmental | | | Business-Type | |  | Total |  |
| *Net depreciable Assets:* |  | Activities | |  | Activities |  |  |  |
|  |  |  |  |  |  |  |  |
| Construction in progress | $ | 1,046,789 | | $ | - | $ | 1,046,789 |  |
| Land |  | 2,086,965 |  |  | 167,738 |  | 2,254,703 |  |
| Total non depreciable assets |  | 3,133,754 | |  | 167,738 |  | 3,301,492 |  |
| *Depreciable Assets:* |  |  |  |  |  |  |  |  |
| Buildings |  | 5,937,106 |  |  | 1,400,744 |  | 7,337,850 |  |
| Improvements |  | 7,660,589 | |  | 159,579 |  | 7,820,168 |  |
| Machinery and equipment |  | 1,861,599 | |  | 5,024 |  | 1,866,623 |  |
| Infrastructure |  | 33,239,930 |  |  | - |  | 33,239,930 |  |
| Intangible assets (right-to-use) |  | 254,694 |  |  | - |  | 254,694 |  |
| Total depreciable assets |  | 48,953,918 |  |  | 1,565,347 |  | 50,519,265 |  |
| Total accumulated depreciation |  | (22,971,467) |  |  | (723,882) |  | (23,695,349) |  |
| Depreciable assets, net |  | 25,982,451 |  |  | 841,465 |  | 26,823,916 |  |
| Total governmental activities capital assets, net | $ | 29,116,205 |  | $ | 1,009,203 | $ | 30,125,408 |  |
|  |  |  |  |  |  |  |  |  |



The following is a summary of governmental activities capital assets transactions for the year ended June 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Balance | |  |  |  |  |  |  | Balance |  |
| *Non depreciable Assets:* |  | July 1, 2021 | |  | Additions | |  | Deletions | June 30, 2022 | |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Construction in progress | $ | 1,109,270 |  | $ | 962,813 |  | $ | (1,025,294) | $ | 1,046,789 |  |
| Land |  | 2,086,965 |  |  | - | |  | - |  | 2,086,965 |  |
| Total non depreciable assets |  |  |  |  |  |  |  | (1,025,294) |  |  |  |
|  | 3,196,235 | |  | 962,813 | |  |  | 3,133,754 |  |
| *Depreciable Assets:* |  |  |  |  |  |  |  |  |  |  |  |
| Machinery and equipment |  | 1,773,780 | |  | 153,184 | |  | (65,365) |  | 1,861,599 |  |
| Buildings |  | 5,937,106 | |  | - | |  | - |  | 5,937,106 |  |
| Improvements |  | 6,635,295 | |  | 1,025,294 | |  | - |  | 7,660,589 |  |
| Infrastructure |  | 33,239,930 |  |  | - |  |  | - |  | 33,239,930 |  |
| Intangible assets |  | - |  |  | 254,694 |  |  | - |  | 254,694 |  |
| Total depreciable assets |  | 47,586,111 |  |  | 1,433,172 |  |  | (65,365) |  | 48,953,918 |  |
| Accumulated depreciation: |  |  |  |  |  |  |  |  |  |  |  |
| Machinery and equipment |  | (1,285,928) |  |  | (100,425) |  |  | 65,365 |  | (1,320,988) |  |
| Buildings |  | (3,075,734) |  |  | (118,580) |  |  | - |  | (3,194,314) |  |
| Improvements |  | (3,239,353) |  |  | (327,540) |  |  | - |  | (3,566,893) |  |
| Infrastructure |  | (14,387,646) |  |  | (463,624) |  |  | - |  | (14,851,270) |  |
| Intangible assets |  | - |  |  | (38,002) |  |  | - |  | (38,002) |  |
| Total accumulated depreciation |  | (21,988,661) |  |  | (1,048,171) |  |  | 65,365 |  | (22,971,467) |  |
| Depreciable assets, net |  | 25,597,450 |  |  | 385,001 |  |  | - |  | 25,982,451 |  |
| **Total governmental activities** | $ | 28,793,685 |  | $ | 1,347,814 | | $ | (1,025,294) | $ | 29,116,205 |  |
| **capital assets, net** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |



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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**6. CAPITAL ASSETS, Continued *Government-Wide Financial Statements, Continued***

For the year ending June 30, 2022 depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

|  |  |  |
| --- | --- | --- |
| General government | $ | 81,913 |
| Parks and recreation |  | 252,329 |
| Public safety |  | 128,108 |
| Public works |  | 585,821 |
| Total depreciation expense | $ | 1,048,171 |
|  |  |  |

The following is a summary of business-type activities capital assets transactions for the year ended June 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Balance | |  |  |  |  |  |  | Balance |  |
| *Non depreciable Assets:* |  |  | July 1, 2021 | |  | Additions | | Deletions |  | June 30, 2022 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Land | $ | | 167,738 |  | $ | - | | $ | - | $ | 167,738 |  |
| Total non depreciable assets |  |  |  |  |  |  |  |  | - |  |  |  |
|  |  | 167,738 | |  | - | |  |  | 167,738 |  |
| *Depreciable Assets:* |  |  |  |  |  |  |  |  |  |  |  |  |
| Machinery and equipment |  |  | 5,024 |  |  | - | |  | - |  | 5,024 |  |
| Improvements |  |  | 159,579 | |  | - | |  | - |  | 159,579 |  |
| Buildings |  |  | 1,400,744 |  |  | - | |  | - |  | 1,400,744 |  |
| Total depreciable assets |  |  |  |  |  |  |  |  | - |  |  |  |
|  |  | 1,565,347 | |  | - | |  |  | 1,565,347 |  |
| Accumulated depreciation: |  |  |  |  |  |  |  |  |  |  |  |  |
| Machinery and equipment |  |  | (5,024) |  |  | - |  |  | - |  | (5,024) |  |
| Improvements |  |  | (153,449) |  |  | (858) |  |  | - |  | (154,307) |  |
| Buildings |  |  | (536,537) |  |  | (28,014) |  |  | - |  | (564,551) |  |
| Total accumulated depreciation |  |  | (695,009) |  |  | (28,872) |  |  | - |  | (723,882) |  |
| Depreciable assets, net |  |  | 870,338 |  |  | (28,872) |  |  | - |  | 841,465 |  |
| **Total business-type activities** | $ | | 1,038,076 |  | $ | (28,872) | | $ | - | $ | 1,009,203 |  |
| **capital assets, net** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |



For the year ending June 30, 2022 depreciation expense was charged to functions/programs of the business-type activities as follows:

|  |  |  |
| --- | --- | --- |
| Endeavor Hall | $ | 28,872 |
| Total depreciation expense | $ | 28,872 |
|  |  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**6. CAPITAL ASSETS, Continued**

***Fund Financial Statements***

The governmental fund financial statements do not present general government capital assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position. The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

**7. COMPENSATED ABSENCES**

Compensated absences include vacation and sick leave. It is the policy of the City to pay 100% of the capped accumulated vacation leave when a public safety employee retires or terminates, and up to 18 months of a general employee's maximum annual accrual allowed upon the same leave of employment action. The City recognizes the liability for its compensated absences in the governmental activities. The following is a summary of compensated absences transactions during the year ended June 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Beginning | |  |  |  |  |  |  |  | Ending |  |  |
|  |  | Balance | |  |  |  |  |  |  |  | Balance | Amount Due in | |
|  | July 1, 2021 | |  |  | Additions |  |  | Deletions |  | June 30, 2022 | |  | One Year |
| Compensated absences | $ | 165,747 |  | $ | 131,505 | | $ | 129,962 | | $ | 167,290 | $ | 83,645 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |



**8. CONDUIT DEBT**

The following debt issuances were issued by the City for the express purpose of providing capital financing for third parties that are not part of the primary government of the City. Although these conduit debt obligations may bear the name of the City, the City has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

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

Middle School Community Facilities District (CFD) Bonds in the principal amount of $6,400,000 were issued on September 2, 1990 by the City under the Mello-Roos Community Facilities Act of 1982. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non-city obligations and are secured solely by special assessment revenue from CFD No. 1990-1. As of June 30, 2022, the outstanding balance of the non-city bond obligation was $470,000**.**

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**8.** **CONDUIT DEBT, Continued**

Lydia Lane Sewer Assessment District-Original Issue $228,325

Lydia Lane Sewer Assessment District Bonds in the principal amount of $228,325 were issued on August 5, 2002 by the City. Principal payments are payable on September 2 of each year. Interest payments are payable semi-annually on March 2 and September 2. The bonds are non city obligations and are secured by sewer assessment district revenue. As of June 30, 2022, the outstanding balance of the non-city bond obligation was $133,325.

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

Refunding bonds were issued on May 17, 2007 by the Clayton Financing Authority in the principal amount of $5,060,000 to refund the Authority's 1997 Special Tax Revenue Refunding Bonds (the "1997 Bonds"), finance the acquisition and construction of certain public capital improvements (the Project), establish a reserve fund for the Bonds (funded part in cash and part from a reserve fund surety bond), and to pay the costs of issuance of the Bonds. The 1997 Bonds were issued to purchase the CFD 1990-1 local obligations, which are recovered by special assessment revenues from CFD 1990-1. Principal payments are payable on September 2 of each year. Interest payments are payable semi- annually on March 2 and September 2. The bonds are non city obligations and are secured by revenues received by the Authority as the result of the payment of debt service on the CFD 1990-1 Local Obligations. As of June 30, 2022, the outstanding balance of the non-city bond obligation was $420,000.

**9.** **UNEARNED AND DEFERRED REVENUE**

***Deferred Revenue***

Deferred inflows of resources were recorded in the fund financial statements because the funds were not available to finance expenditures of the current period. At June 30, 2022, deferred inflows of resources in the fund financial statements were as follows.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Successor | |  |  | Other |  |  |  | Total |  |
|  |  | General | |  |  | Housing | |  | Governmental | |  |  | Governmental | |  |
| Deferred revenue | |  | Fund |  |  |  | Agency |  |  | Funds |  |  |  | Funds |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Unavailable state-mandated | | $ | 260,379 | $ | | | - | $ | | - | $ | | | 260,379 |  |
| program reimbursements | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Unavailable accounts receivable | |  | - |  |  |  | - |  |  | 332,166 |  |  |  | 332,166 |  |
| Unavailable loans receivable | |  | - |  |  |  | 2,722,200 |  |  | - |  |  |  | 2,722,200 |  |
| Total deferred revenue |  | $ | 260,379 |  |  | $ | 2,722,200 |  | $ | 332,166 |  |  | $ | 3,314,745 |  |



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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**10. RISK MANAGEMENT**

The City participates in the Municipal Pooling Authority of Northern California (MPA), a joint powers agreement between twenty cities, which provides insurance coverage for liability, auto, property, and workers' compensation claims. Claims liabilities are accrued when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The MPA covers claims in an amount up to $29,000,000. The City has a deductible of $5,000 per claim for liability cases and no deductible for workers’ compensation claims. Once the City's deductible is met, the MPA becomes responsible for payment of all claims and legal defense. The MPA is governed by a board consisting of one voting representative from each member municipality. The Board controls the operations of the MPA including selection of management, approval of operating budgets, and is independent of any influence by member municipalities beyond their representation on the Board. The City's general liability and workers’ compensation premium payments made to MPA for the fiscal year ending June 30, 2021 are in accordance with formulas established by the MPA. 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. Financial statements may be obtained from MPA at 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596. The City has had no settlements which exceeded insurance coverage during fiscal year ending June 30, 2021. Estimates of incurred, but not reported, liability claims are included in the City's claims estimates and based upon historical experiences as calculated by the MPA.

**11. DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes (not accounting purposes) and membership information is listed in the latest Annual Actuarial Valuation Report as of June 30, 2018. This report is a publicly available valuation report that can be obtained at CalPERS’ website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the City’s separate Public Safety (police) and Miscellaneous (all other) defined benefit pension plans. Both the Public Safety and Miscellaneous plans are part of the public agency cost-sharing multiple employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a Safety and Miscellaneous pool (also referred to as “risk pools”), which are comprised of individual employer safety and miscellaneous rate plans, respectively. 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 plans regarding benefit provisions, assumptions and membership information that can be obtained from CalPERS at 400 Q Street, Sacramento, CA 95811.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued *Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service become vested and are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non- duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Miscellaneous Pension Plan** | | | | |
|  | Tier I |  | Tier II |  | Tier III (PEPRA)\* |
| Hire Date | Before 7/1/2010 |  | On or after | | On or after |
|  |  |  | 7/1/2020 but | | 1/1/2013 |
|  |  |  | Before 1/1/2013 | |  |
| Benefit formula | 2%@55 | 2%@60 | |  | 2%@62 |
| Benefit vesting schedule | 5 years of service |  | 5 years of service | | 5 years of service |
| Benefit payments | Monthly for life |  | Monthly for life | | Monthly for life |
| Minimum retirement age | 50 | 50 | |  | 52 |
| Monthly benefits, as % of |  |  |  |  |  |
| eligible compensation | 1. 426% - 2. 418% | 1. 092% - 2. 418% | |  | 1.0%-2.5% |
|  |  | **Safety Pension Plan** | | |  |
|  | Tier I |  | Tier II |  | Tier III (PEPRA)\* |
| Hire Date | Before 7/1/2010 |  | On or after | | On or after |
|  |  |  | 7/1/2010 but | | 1/1/2013 |
|  |  |  | Before 1/1/2013 | |  |
| Benefit formula | 3%@55 | 2%@50 | |  | 2.7%@57 |
| Benefit vesting schedule | 5 years of service |  | 5 years of service | | 5 years of service |
| Benefit payments | Monthly for life |  | Monthly for life | | Monthly for life |
| Minimum retirement age | 50 | 50 | |  | 50 |
| Monthly benefits, as % of |  |  |  |  |  |
| eligible compensation | 2.4%-3.0% | 2.0%-2.7% | |  | 2.0%-2.7% |

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

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued**

***Employees Covered***

At June 30, 2022 the following employees were covered by the benefit terms for each plan:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Miscellaneous | | | | |  | Public Safety | | | | |  |
| Inactive employees (or their beneficiaries) | Tier I | | Tier II | | PEPRA | | Tier I | | Tier II | | PEPRA |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| currently receiving benefits | 27 |  | 7 |  | 1 |  | 28 |  | 7 |  | 1 |  |
| Inactive employees entitled to but not yet |  |  |  |  |  |  |  |  |  |  |  |  |
| receiving benefits | 16 |  | 5 | | 10 | | 10 | | 2 | | 12 |  |
| Active employees | 3 |  | 3 |  | 8 |  | 3 |  | 0 |  | 7 |  |
| Total | 46 |  | 15 | | 19 | | 41 | | 9 | | 20 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

***Contributions***

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

For the year ended June 30, 2022, the City’s contractually required contributions, which are actuarially determined, were as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Employer Contributions | | | | | |  |  |
|  |  | Normal Cost | | |  | Unfunded | | |  |  |
|  |  | Percentage of | | |  | Actuarial | | |  | Total |
| Pension Plan |  |  | Payroll |  |  | Liability |  |  |  |  |
| Miscellaneous Tier I | | $ | 46,789 |  | $ | 156,440 | |  | $ | 203,229 |
| Miscellaneous Tier II | |  | 25,137 | |  | 2,371 | |  |  | 27,508 |
| Miscellaneous PEPRA | |  | 31,179 | |  | 2,749 | |  |  | 33,928 |
| Public Safety Tier I | |  | 91,296 | |  | 214,242 | |  |  | 305,538 |
| Public Safety Tier II | |  | - |  |  | 1,729 | |  |  | 1,729 |
| Public Safety PEPRA | |  | 76,497 |  |  | 4,644 |  |  |  | 81,141 |
| Total | | $ | 270,898 |  | $ | 382,175 | |  | $ | 653,073 |
|  |  |  |  |  |  |  |  |  |  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued *Contributions, Continued***

The following is a summary of actuarially determined employer and contractually determined employee pension contribution rates as a percentage of payroll for the year ended June 30, 2022:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Employer | Employee |
| Pension Plan |  | Contribution Rate | Contribution Rate |
| Miscellaneous Tier I | 10.34 | | 7.0001 |
| Miscellaneous Tier II | 8.65 | | 7.000 |
| Miscellaneous PEPRA | 7.59 | | 6.750 |
| Public Safety Tier I | 20.64 | | 9.000 |
| Public Safety Tier II | 18.19 | | 9.000 |
| Public Safety PEPRA | 13.13 | | 13.000 |

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

***Net Pension Liability***

At June 30, 2022, the City reported total net pension liabilities for its proportionate share in both the

Miscellaneous and Safety plans as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Proportionate |
|  |  | Net Pension Liability | | |  | Share of Net |
| Pension Plan |  |  | (Asset) |  | Pension Liability | |
| Miscellaneous | $ | | 1,177,421 | |  | 0. 06201% |
| Public Safety |  |  | 1,582,318 | |  | 0. 04509% |
| Total |  | $ | 2,759,739 |  | $ | 0. 05103% |
|  |  |  |  |  |  |  |



The City’s net pension liability was based on the proportionate shares (in dollars) determined by CalPERS based on individual actuarial measurement specific to each rate plan in the Miscellaneous Pool and the Safety Pool. The City’s total proportionate share of the cost-sharing plan pension amounts is the sum of the pension amounts allocated to each of the City’s Miscellaneous and Safety rate plans. The City’s net pension liability is measured as of June 30, 2021, using annual actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued**

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ending June 30, 2022 the City recognized a total pension revenue of $730,721. At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | Net Deferred | |  |
|  | Deferred | | | |  | Deferred | | Outflows / | |  |
|  | Outflows of | | | | Inflows of | | | (Inflows) of | |  |
| Pension contributions subsequent | Resources | | | | Resources | | | Resources | |  |
|  |  |  |  |  |  |  |  |  |  |
| to measurement date | $ | 653,073 |  |  | $ | - | | $ | 653,073 |  |
| Net difference between projected |  |  |  |  |  |  |  |  |  |  |
| and actual earnings on |  |  |  |  |  |  |  |  |  |  |
| pension plan investments |  | - |  |  |  | 1,969,609 |  |  | (1,969,609) |  |
| Change in employer’s proportion |  | 230,195 |  |  |  | 52,731 |  |  | 177,464 |  |
| Changes in assumptions |  | - |  |  |  | - |  |  | - |  |
| Differences between actual and |  |  |  |  |  |  |  |  |  |  |
| expected experiences |  | 402,373 |  |  |  | - |  |  | 402,373 |  |
| Differences between the employer’s |  |  |  |  |  |  |  |  |  |  |
| contributions and the employer’s |  |  |  |  |  |  |  |  |  |  |
| proportion share of contributions |  | - |  |  |  | 449,044 |  |  | (449,044) |  |
| Total | $ | 1,285,641 | |  | $ | 2,471,384 |  | $ | (1,185,743) |  |
|  |  |  |  |  |  |  |  |  |  |  |

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources, Continued***

Of the reported deferred outflows of resources, $653,073 is 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, 2023 (measurement period ended June 30, 2022). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Fiscal |  | Miscellaneous |  | Safety |  | Total |
| Year End |  | Risk Pool |  | Risk Pool |  |  |
| 2023 |  | (235,352) |  | (186,716) |  | (422,068) |
| 2024 | (244,796) | | (170,259) | | (415,055) | |
| 2025 | (255,792) | | (202,699) | | (458,491) | |
| 2026 | (284,038) | | (259,164) | | (543,202) | |
| Thereafter | - | | - | | - | |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued *Discount Rate***

The discount rate used to measure the total pension liability was 7. 15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7. 15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7. 15% will be applied to all plans in the PERF C. The stress test results are presented in a detailed report that can be obtained from the CalPERS website at www. calpers. ca. gov.

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

In determining the long- term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound 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 expected real rates of return by asset class are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Assumed Asset | | | Real Return | | Real Return | |
| Asset Class |  | Allocation | |  | Years 1-101 |  | Years 11+2 | |
| Global Equity | 50. | | 00% |  | 4. 80% | | 5. | 98% |
| Fixed Income | 28. | | 00% | | 1. 00% | | 2. | 62% |
| Inflation Assets |  |  | - |  | 0. 77% | | 1. | 81% |
| Private Equity | 8. | | 00% |  | 6. 30% | | 7. | 23% |
| Real Assets | 13. | | 00% |  | 3. 75% | | 4. | 93% |
| Liquidity |  | 1. | 00% |  | - | | -0. 92% | |
| Total | 100. | | 00% |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

2An expected inflation of 2. 00% is used for this period

3An expected inflation of 2. 92% is used for this period.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued *Actuarial Methods and Assumptions***

The following actuarial assumptions and methods were used to calculate the total pension liability as of

June 30, 2021:

Valuation Date June 30, 2020

Measurement Date June 30, 2021

Measurement Period July 1, 2020 to June 30, 2021

Discount Rate 7. 15%

Inflation 2. 50%

Salary Increase Varies by Entry Age and Service

Mortality Derived using specific CalPERS Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data.

The table includes 15 years of mortality improvements using Society of

Actuaries Scale MP 2016. For more details on this table, please refer to the

December 2017 experience study report (based on CalPERS demographic

data from 1997 to 2015) that can be found on the CalPERS website.

Post Retirement Benefit Increase Contract COLA up to 2. 50% until Purchasing Power Protection Allowance

Floor on Purchasing Power applies.

All other actuarial assumptions used in the June 30, 2020 valuation can be obtained from CalPERS at their website at www. calpers. ca. gov under Forms and Publications.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate of 7.15%, as well as what the City’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Miscellaneous | |  | Safety | |  | Total |
| 1% decrease |  | 6. 15% |  |  | 6. 15% |  |  | 6. 15% |
| Net pension liability | $ | 2,485,903 | | $ | 3,403,543 | | $ | 5,889,446 |
| Current discount rate |  | 7. 15% |  |  | 7. 15% |  |  | 7. 15% |
| Net pension liability | $ | 1,177,421 | | $ | 1,582,318 | | $ | 2,759,739 |
| 1% increase |  | 8. 15% |  |  | 8. 15% |  |  | 8. 15% |
| Net pension liability | $ | 95,717 |  | $ | 86,406 |  | $ | 182,123 |



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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**11. DEFINED BENEFIT PENSION PLAN, Continued *Pension Plan Fiduciary Net Position***

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports. The plan’s fiduciary net position disclosed per the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the City’s funding actuarial valuation. In addition, differences may result from early financial statement closing and final reconciled reserves.

**12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

***Plan Description***

The City of Clayton Retired Employee Health Care Program is a single-employer defined benefit healthcare program administered by the City of Clayton. The program offers medical only (no dental) insurance benefits to eligible retirees and their families through the same self-insured program coverage to active City employees. In connection with this, the City has established a plan to provide post-employment benefits other than pensions as defined in *California Public Employees' Retirement Law* section 7500-7514. 5. The plan provides employees who retire directly from the City, at a minimum age of 50, with a minimum of five years of service, a cash subsidy for monthly medical insurance premiums to a cap of $149 per employee per month as of January 1, 2022. This monthly subsidy is the statutory minimum employer premium contribution under the California Public Employee’s Medical and Health Care Act (PEMHCA). To be eligible for this OPEB health coverage, employees must retire within 120 days of separation from employment with the City and also receive a monthly retirement warrant. Furthermore, to be eligible for retiree health benefits, the City of Clayton must still contract with CalPERS for health benefits. Once a retiree becomes eligible for Medicare, these benefits are integrated with the Medicare plan. Separate stand-alone audited financial statements are not issued for this plan.

***Employees Covered***

As of the June 30, 2022, the date of the latest actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

|  |  |
| --- | --- |
| Active employees | 27 |
| Inactive employees or beneficiaries currently receiving benefits | 9 |
| Inactive employees entitled to, but not yet receiving benefits | - |
| Total employees | 36 |
|  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued *Contributions***

The City does not have an actuarially-determined contribution requirement as an irrevocable trust has not yet been established. The City currently administers the plan on a pay-as-you- go basis with nine (9) retirees currently receiving the PEMHCA minimum benefit. Total retiree OPEB premium payments, excluding the implicit rate subsidy of $13,410 were made by the City during the fiscal year ended June 30, 2022.

***Net OPEB Liability***

The City’s net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022 that was rolled forward to determine the June 30, 2022 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method Entry Age Normal Level Percentage of Pay (AMM)

Discount Rate 4.09%

Inflation Rate 2.50%

Payroll Growth 2.80% wage inflation

Mortality Rate PubG. H-2010 Mortality Table – General

Funded Ratio 0.00%

Health Care Trend Rates Based on 2022 Getzen model with an initial rate of 7.00%,

gradually decreasing to an ultimate rate of 3.94% by 2075

***Discount Rate***

As of June 30, 2022, the City has not established a dedicated irrevocable trust to pay retiree healthcare benefits. Pursuant to GASBS 75, the discount rate should be a yield or index rate for 20-year, tax- exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) . A rate of 4.09% is used, with is the Standard & Poor’s Municipal Bond 20-Year High-Grade Rate Index as of June 30, 2022.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued**

***Changes in the OPEB Liability***

The changes in the net OPEB liability for the plan are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Total OPEB | | | | Plan Fiduciary | | | Net OPEB | | |  |
|  |  |  | Liability |  | | Net Position | |  |  | Liability |  |  |
| Balances as of July 1, 2021 | $ | | 532,528 | | | $ | - |  | $ | 532,528 | |  |
| Changes recognized for the measurement period: |  |  |  |  |  |  |  |  |  |  |  |  |
| Service Cost |  |  | 18,942 |  |  |  | - |  |  | 18,942 |  |  |
| Interest on total OPEB liability and service cost1 |  |  | 11,706 |  |  |  | - |  |  | 11,706 |  |  |
| Changes of benefit terms |  |  | - |  |  |  | - |  |  | - |  |  |
| Difference between expected and actual experience |  |  | 57,970 | | |  | - |  |  | 57,970 | |  |
| Changes of assumptions and other inputs |  |  | (13,653) |  |  |  | - |  |  | (13,653) | |  |
| Employer contributions |  |  | - |  |  | 29,178 | |  |  | (29,178) |  |  |
| Active and inactive employee contributions |  |  | - |  |  |  | - |  |  | - |  |  |
| Net investment income |  |  | - | |  |  | - |  |  | - | |  |
| Benefit payments2 |  |  | (29,178) | |  | (29,178) | |  |  | - | |  |
| Administrative expenses |  |  | - |  |  |  | - |  |  | - |  |  |
| Other changes |  |  | - |  |  |  | - |  |  | - | |  |
| Net changes |  |  | 45,787 |  |  |  | - |  |  | 45,787 |  |  |
| Balances as of June 30, 2022 | $ | | 578,315 | |  | $ | - |  | $ | 578,315 |  |  |
|  |  | | | *cost to the end of the* | | | |  | | |  |  |
| *1Service costs prior to fiscla year ended June 30, 2022 already include interest* | | | | *year* | | |  |
| *2Based on $15,766 in explicit benefit payments and estimated implicit subsidy payments of $* | | | | | | | *13,410.* | |  |  |  |  |



***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 higher than the current rate, as of the measurement June 30, 2022 date:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Current |  |  |
|  | 1% Decrease | |  | Discount Rate | |  | 1% Increase |
|  |  | (3.09%) |  |  | (4.09%) |  | (5.09%) |
| Net OPEB Liability | $ | 649,235 | $ | | 578,315 | $ | 518,547 |



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

The following presents 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, for measurement the period ended June 30, 2022:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 6.00% | 7.00% | | 8.00% | |  |
|  | decreasing to |  | decreasing to |  | decreasing to |  |
| Net OPEB Liability | 2.94% | 3.94% | | 4.94% | |  |
| $ 511,513 |  | $ 578,315 |  | $ 659,190 |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**12. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued *OPEB Plan Fiduciary Net Position***

As the City has not established an irrevocable trust to pay retiree health care benefits, the plan has a fiduciary net position of $0 as of June 30, 2022.

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense over an assumed expected average remaining service lifetime (EARSL) of 10.70 years.

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of $74,942. The measurement date is the same as the fiscal year end date. Consequently, as of the fiscal year ended June 30, 2022, the City did not report deferred outflows and deferred inflows of resources related to OPEB from the following sources:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | Net Deferred |  |  |
|  | Deferred Outflows | | | Deferred Inflows |  |  | Outflows /(Inflows) | |  |
| Differences between actual and | of Resources |  |  | of Resources |  |  | of Resources |  |  |
|  |  |  |  |  |  |  |  |  |
| expected experiences | $ | - |  | $ | - |  | $ | - |  |
| Changes in assumptions |  | - |  |  | - |  |  | - |  |
| Difference between expected and |  |  |  |  |  |  |  |  |  |
| actual earnings on OPEB |  |  |  |  |  |  |  |  |  |
| plan investments |  | - |  |  | - | |  | - |  |
| Total |  |  |  |  |  |  |  |  |  |
| $ | - |  | $ | - | | $ | - |  |
|  |  |  |  |  |  |  |  |  |  |

As an irrevocable trust for payment of retiree health benefits has not been established, there are no contributions subsequent to the measurement date to report, which would otherwise be recognized as a reduction of the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Fiscal Year Ending |  | Deferred Outflows |  |
| June 30 |  | /(Inflows) of Resources | |
| 2023 | $ | | - |
| 2024 |  |  | - |
| 2025 |  |  | - |
| 2026 |  |  | - |
| 2027 |  |  | - |
| Thereafter |  |  | - |
| Total | $ | | - |
|  |  |  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES *Background***

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

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

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

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

Amongst numerous requirements, AB IX 26 required the following:

1. Subject to the control of a newly established oversight board, assets of the former redevelopment agency must be disposed expeditiously and property tax revenue generated by a former redevelopment agency can only be used to pay enforceable obligations (i. e. debt obligations and other third party contractual obligations);
2. Either the city or another unit of local government may agree to serve as the “Successor Agency” to hold the net position until they are distributed to units of state and local government;
3. Successor agencies may transfer housing functions of the former redevelopment agency to the appropriate entity; and
4. Any property tax revenue in excess of enforceable obligations is to be distributed by county auditor controllers to taxing entities, which includes the City, as surplus property tax.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued *Background, Continued***

As a result of the restrictions placed on the assets and liabilities of the former redevelopment agency, they were transferred to a private purpose trust fund on February 1, 2012. Prior to the transfer, the Redevelopment Agency was treated as a blended component unit of the City until the fiscal year ending June 30, 2012. On January 11, 2012, the City Council elected to become the Successor Agency to the former Redevelopment Agency in accordance with AB IX 26 as part of City resolution number 03-2012.

Subsequent to the adoption of AB IX 26 and AB IX 27, the California State Legislature adopted AB 1484 in

June 2012. Among other things, AB 1484 required the following:

1. A process to transfer housing assets of the former redevelopment agency to the entity designated to receive these assets. In the case of the City, assets with a total value of $14,057,320 and liabilities with a total value of $10,999,595 were transferred to the Successor Agency from the former Redevelopment Agency.
2. Requirements that the Successor Agency must complete due diligence reviews (DDRs) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. The DDRs of the Clayton Successor Agency were finalized and approved by the Oversight Board on October 9, 2014 via Resolution No. 2014-04 and 2014-05. These reports concluded that payments of $887,404 and $3,791,725 are required to be remitted to Contra Costa County by the Redevelopment Successor Agency and Successor Housing Agency respectively.

The California Department of Finance (DOF) completed their review of the low and moderate income housing funds and issued a final determination letter to the City dated April 24, 2015 with no modifications. The Successor Housing Agency issued the payment specified by the DOF’s low and moderate housing funds determination letter in the fiscal year ending June 30, 2015, resulting in a net extraordinary loss of $3,616,725 for the year then ended.

On November 30, 2015, the DOF issued their final determination letter approving the all other funds DDR report with modifications. The modifications required an additional payment of $230,983 to the County Auditor-Controller, which was reported as an Extraordinary Loss of the City’s General Fund in the fiscal year ending June 30, 2016. The Successor Agency issued the payment specified by the DOF’s final all other funds determination letter to the County Auditor-Controller’s office in the fiscal year ending June 30, 2016, resulting in an extraordinary loss of $1,025,396 for the year then ended.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued *Background, Continued***

Upon the DOF’s approval of the DDRs, and the distribution of unobligated funds, the Successor Agency is authorized to apply for a “Finding of Completion”. The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition by receiving the Finding of Completion, the City may establish loans between the City and the former Redevelopment Agency as enforceable obligations. The Clayton Successor Received its finding of completion from the DOF on December 30, 2015.

***Successor Agency Assets and Liabilities***

Cash and Investments

The total cash and investments balance of $526,807 is presented in a format consistent with GASBS 31 and is presented at fair value. Pursuant to AB IX 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor-Controller for distribution to taxing entitles. See Note 2 for further information and disclosures regarding the City’s pooled cash and investments.

***Inter-Agency Loans***

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

The former RDA provided assistance to special assessment districts within the City, to fund repairs and improvements. The High Street Permanent Road Division and Oak Street Sewer Assessment District received loans from the former RDA to finance necessary infrastructure improvements. These loans are secured by special assessment property tax levies within the District’s boundaries. As of June 30, 2022, the outstanding balance of the loans due to the Successor Agency was $52,607.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**13. REDEVELOPMENT SUCCESSOR AGENCY ACTIVITIES, Continued**

***Long-Term Debt***

The following is a summary of changes in long-term debt transactions for the year ended June 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Balance | |  |  |  |  |  |  |  | Balance | Due in one | |  |
| 2014 Tax Refunding | July 1, 2021 | | Additions |  |  | Deletions |  |  | June 30, 2022 | |  | year |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Allocation Bonds | $ 1,145,000 | | $ | - | | $ | - | | $ | 1,145,000 | $ | 375,000 |  |
| Total |  |  |  |  |  |  |  |  | $ | 1,145,000 |  |  |  |
| $ 1,145,000 |  | $ | - | | $ | - | | $ | 375,000 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |



2014 Refunding Tax Allocation Bonds

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

The 2014 refunding was exercised in order to take advantage of more favorable interest rates. The refunding decreased the City’s total debt service payments by approximately $601,895. The transaction resulted in economic gain (difference between present value of the debt service on the old and new bonds) of approximately $580,184. For the current year, principal and interest paid were $0 and $30,475, respectively. The current year principal payment was made in advance, during the year ended June 30, 2021.

The annual debt service requirements to amortize the Successor Agency’s 2014 Refunding Tax Allocation Bonds outstanding at June 30, 2022, were as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year |  |  |  |  |  |  |  |  |  |
| Ending |  |  |  |  |  |  |  |  |  |
| June 30 |  |  | Principal |  |  | Interest |  |  | Total |
| 2023 | $ | | 375,000 | | $ | 22,023 | | $ | 397,023 |
| 2024 |  |  | 380,000 | |  | 13,340 | |  | 393,340 |
| 2025 |  |  | 390,000 |  |  | 4,484 | |  | 394,484 |
| Total |  | $ | 1,145,000 |  | $ | 39,847 |  | $ | 1,184,847 |
|  |  |  |  |  |  |  |  |  |  |



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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**14. EQUITY BALANCES**

***Governmental Fund Balances***

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2022 is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  | Major Funds | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | Landscape | | |  |  |  | Succesor | |  | American | | |  |  |  | Capital | |  |  |  | Other |  |  |  |  |  |
|  |  |  | General |  |  | Maintenance | | |  |  |  | Housing | |  | Rescue |  |  |  |  |  | Improvement | |  |  | Governmental | |  |  |  |  |  |
|  |  |  | Fund |  |  |  | District | |  |  |  | Agency | |  | Plan Act\* |  |  |  |  |  | Program | |  |  |  | Funds |  |  |  | Total |  |
| Fund Balance Classifications |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Nonspendable for: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Due from other funds | | $ | 120,893 | $ | | | - |  | $ | | | - |  | $ | | - |  | $ | | | - |  | $ | | | - | $ | | | 120,893 |  |
| Prepaid expenses | |  | 52,578 |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 52,578 |  |
| Total | |  | 173,471 |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 173,471 |  |
| Restricted for: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Affordable housing | |  | - |  |  |  | - |  |  |  |  | 5,617,695 |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 5,617,695 |  |
| Public landscaping | |  | - |  |  |  | 32,509 |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 32,509 |  |
| Grant-funded programs | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 279,818 |  |  |  | 279,818 |  |
| The Grove Park (CFD 2006-1) | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 423,008 |  |  |  | 423,008 |  |
| Stormwater compliance | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 28,243 |  |  |  | 28,243 |  |
| Neighborhood street lighting | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 23,281 |  |  |  | 23,281 |  |
| Transportation | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 315,041 |  |  |  | 315,041 |  |
| Total | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | - |  |  |  | 32,509 |  |  |  |  | 5,617,695 |  |  |  | - |  |  |  |  | - |  |  |  |  | 1,069,391 |  |  |  | 6,719,595 |  |
| Committed for: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rainy Day | |  | 145,620 |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 145,620 |  |
| Pandemic recovery reserve | |  | 349,399 |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 349,399 |  |
| Presley settlement | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 39,478 |  |  |  | 39,478 |  |
| Geological hazard prevention | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| and repair | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 51,173 |  |  |  | 51,173 |  |
| Development impact | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 619,151 |  |  |  | 619,151 |  |
| Total | |  | 495,019 |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 709,802 |  |  |  | 1,204,821 |  |
| Assigned for: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Next year's budget | |  | - |  |  |  | 606,024 |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | 117,685 |  |  |  | 723,709 |  |
| Capital projects | |  | - |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | 2,606,444 |  |  |  |  | - |  |  |  | 2,606,444 |  |
| Total | |  | - |  |  |  | 606,024 |  |  |  |  | - |  |  |  | - |  |  |  |  | 2,606,444 |  |  |  |  | 117,685 |  |  |  | 3,330,153 |  |
| Unassigned | |  | 5,744,867 |  |  |  | - |  |  |  |  | - |  |  |  | - |  |  |  |  | - |  |  |  |  | - |  |  |  | 5,744,867 |  |
| Total Fund Balance | | $ | 6,413,357 | $ | | | 638,533 |  | $ | | | 5,617,695 |  | $ | | - |  | $ | | | 2,606,444 |  | $ | | | 1,896,878 | $ | | | 17,172,907 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

\*During the year ended June 30, 2022, the City established the American Rescue Plan Act (ARPA) fund to accounts for those federal monies received. Due to the specific nature of expenditures associated with ARPA, those funds are tracked and shown as committed in the General Fund.

During the year ended June 30, 2021, the City established a Rainy Day Fund. This fund was established to capture any annual surplus identified through the annual financial audit that the City Council wishes to earmark for future allocation to one-time purposes. Funds are tracked and shown as committed in the General Fund.

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**14. EQUITY BALANCES, Continued**

***Governmental Fund Balances, Continued***

The Pandemic Recovery Reserve was established by the City Council to capture programmatic funding decisions associated with the American Rescue Plan Act funds the City has received. For the initial tranche of $1,467,024 (and planned for the tranche to be received in July 2022), the City Council has chosen to transfer the funds to the City's General Fund to pay for public safety services. This funding for public safety then allows the transfer of an equal amount from the General Fund to the Pandemic Recovery Reserve. The funds in the Pandemic Recovery Reserve can be used for any valid general government purpose.

***Net Position***

The restricted component of net position includes assets subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The restricted component of net position at June 30, 2022 for governmental activities includes:

|  |  |  |
| --- | --- | --- |
| Restricted for community and economic development: | |  |
| Affordable housing | $ | 8,788,148 |
| Restricted for public works: |  |  |
| Public landscaping (CFD 2007-1) |  | 32,509 |
| Stormwater state mandate compliance |  | 28,243 |
| Neighborhood street lighting |  | 23,281 |
| Transportation |  | 324,585 |
| Restricted for general government: |  |  |
| Grant-funded programs |  | 240,021 |
| Restricted for parks and recreation: |  |  |
| The Grove Park (CFD 2006-1) |  | 423,008 |
| Restricted for public safety: |  | 30,253 |
| Total restricted net position | $ | 9,890,048 |
|  |  |  |

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**City of Clayton**

**Notes to Basic Financial Statements**

**For the year ended June 30, 2022**

**15. PRIOR PERIOD RESTATEMENT**

During the year ended June 30, 2022, it was noted that tax revenue recognized during the year was earned during the year ended June 30, 2021. A restatement in the amount of $54,912 was made to recognize the revenue in the correct (prior) fiscal year. This restatement affected the ending fund balance/net position at June 30, 2021 as follows:

Balance at June 30, 2021, as previously

stated

Restatement

Balance at June 30, 2021, as restated

Fund Balance

of

General Fund

$ 6,108,981

54,912

$ 6,163,893

Net Position

of

Governmental

Activities

$ 44,443,106

54,912

$ 44,498,018

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