CITY OF CLOVERDALE, CALIFORNIA

Basic Financial Statements
For The
Fiscal Year Ended June 30, 2015

CITY OF CLOVERDALE, CALIFORNIA
Basic Financial statements
For The Fiscal Year Ended June 30, 2015

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS,

BASIC FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS

Terry E. Krieg, CPA
Certified Public Accountant

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Cloverdale
Cloverdale, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cloverdale, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Cloverdale's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Emphasis of Matter

As discussed in note 5H to the financial statements, the City in fiscal 2015 implemented the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions. As discussed in Note 5G to these financial statements, repayment agreements between the City and its Successor Agency and the transfer of unexpended bond proceeds from the Successor Agency to the City have been subsequently approved or are pending final approval by all regulatory parties. My opinion is not modified with respect to these matters.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10; the Budgetary Comparison Schedules, the Schedule of Funding Progress, and the Schedules of the Proportionate Share of the Net Pension Liability and Employer Pension Plan Contributions on pages 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cloverdale's basic financial statements. The accompanying nonmajor fund combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report, dated January 21, 2016, on my consideration of the City of Cloverdale's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Cloverdale's internal control over financial reporting and compliance.

Terry E. Krieg
Certified Public Accountant
Santa Rosa, California
January 21, 2016

CITY OF CLOVERDALE

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

This section, Management's Discussion & Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Please read this section in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position at June 30, 2015 was $94,367,364, a decrease of $8,865,298 over the prior year before restatement for the implementation of Governmental Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions. The restatement for the new pension accounting standard accounts for about $7.2 million of the total fiscal 2015 decrease in net position from fiscal 2014.After the restatement of the beginning net position, the City reports a $1,626,636 overall decrease in net position.

- Total City revenues, including program and general revenues, were $10,160,763, a decrease of $614,347 from the prior year. Total expenses were $11,787,399 which is an increase of $795,510 from the prior year.

- Governmental Activities Program Revenues were $1,414,248, a decrease of $312,727 from fiscal 2014's $1,726,975. Charges for services decreased by $35,023 from the prior year, while grants and contributions revenue decreased by $277,704. Tax revenue was $3,962,630 for 2015 which represents a 4% increase from the prior year. Other General Revenues were $48,798, a decrease of $195,021 primarily due to the recovery of prior period expenditures in fiscal year 2013/14.

- Governmental Activities Program Expenses were $7,603,231 in fiscal 2015, an increase of $490,610 from 2014 which was $7,112,621.

- Program revenues from Business-Type Activities were $4,735,087 in fiscal year 2015, down $241,163 from the prior year. Business-type activities revenue this year is comprised of charges for services which increased $129,598 primarily due to increases in water and sewer service rates.

- General Fund revenues and other funding sources were $5,694,748, a decrease of $43,137 from 2014. The difference is primarily due to a decrease in grant revenue and reimbursements compared to the previous year.

- General Fund total expenditures were $5,599,447, an increase of $482,423 from prior year amounts due to filling of vacant positions in the public safety and public works departments.

- General fund balance is $893,284, an increase of $95,301 from the prior year's fund balance of $797,983. The fund balance is approximately 16% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The components are:

- The government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole.
- Fund financial statements describe how City services are financed in the short term as well as what resources are available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to the Financial Statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

These two statements report the City's net position and changes thereto. Net position, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. It is also important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads and other infrastructure assets to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental activities – All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, and community services. Property taxes, sales taxes, Vehicle License Fees (VLF), transient occupancy taxes and franchise fees finance most of these activities.

Business (proprietary fund) type activities – The City charges a fee to customers to cover all or most of the cost of the services provided. The City's water, sewer, transit, and airport operations are reported in this category.

Fiduciary unit – The City of Cloverdale elected to become the Successor Agency for the former Redevelopment Agency including the housing functions. The financial data relating to the Successor Agency are reported in a separate fiduciary fund.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants.However, management establishes many other funds that aid in the administration of resources for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds through a reconciliation statement.

Business Type (Proprietary) funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Table 1
City of Cloverdale's Net Position
(Full Accrual, in Whole Dollars)

	Government Activities		Business-Type Activities		Total		Total Percentage Change
Assets:	2015	2014	2015	2014	2015	2014	
Current and other assets	$ 4,984,079	$ 5,030,712	$ 2,250,164	$ 2,239,848	$ 7,234,243	$ 7,270,560	
Noncurrent assets	56,615,441	57,872,224	47,844,140	45,279,425	104,459,581	103,151,649	
Total Assets	$ 61,599,520	$ 62,902,936	$ 50,094,304	$ 47,519,273	$ 111,693,824	$ 110,422,209	1.1%
Deferred outflows of Resources:							
Pension plan contributions and deferrals	$ 594,640	$ 602,000	$ 107,295	$ 92,000	$ 701,935	$ 694,000	
Total Deferred outflows of Resources	$ 594,640	$ 602,000	$ 107,295	$ 92,000	$ 701,935	$ 694,000	
Liabilities:							
Current Liabilities	$ 917,167	$ 681,975	$ 1,396,520	$ 1,426,392	$ 2,313,687	$ 2,108,367	
Long-term debt	7,753,507	8,816,696	6,415,904	4,197,146	14,169,411	13,013,842	
Total Liabilities	$ 8,670,674	$ 9,498,671	$ 7,812,424	$ 5,623,538	$ 16,483,098	$ 15,122,209	8.3%
Deferred inflows of Resources							
Pension plan timing differences	1,309,500	-	235,797	-	$ 1,545,297	-	
Total Deferred inflows of Resources	$ 1,309,500	$ -	$ 235,797	$ -	$ 1,545,297	$ -	
Net Position:							
Net investment in capital assets	$ 56,615,441	$ 57,872,224	$ 41,315,775	$ 41,537,401	$ 97,931,216	$ 99,409,625	
Restricted	3,373,628	3,750,754	658,413	436,514	4,032,041	4,187,268	
Unrestricted	(7,775,083)	(7,616,713)	179,190	13,820	(7,595,893)	(7,602,893)	
Total Net Position	$ 52,213,986	$ 54,006,265	$ 42,153,378	$ 41,987,735	$ 94,367,364	$ 95,994,000	-1.7%

The City's combined net position for the fiscal year ended June 30, 2015 was $94,367,364. The City accounts for its water, sewer, airport, and transit operations as enterprise funds. These enterprise funds are categorized as Business-Type Activities on Table 1.

Table 2
City of Cloverdale's Statement of Activities
(Full Accrual, in Whole Dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	
Revenues							
Program revenues:							
Charges for services	$ 688,619	$ 723,642	$ 4,410,853	$ 4,281,255	$ 5,099,472	$ 5,004,897	
Operating grants and contributions	725,629	716,111	111,460	101,380	837,089	817,491	
Capital grants and contributions	-	287,222	212,774	593,615	212,774	880,837	
General revenues					-	-	
Taxes	3,962,630	3,828,066			3,962,630	3,828,066	
From other agencies not restricted					-	-	
to specific programs		-			-	-	
Other	48,798	243,819			48,798	243,819	
		-			-	-	
Total Revenues	5,425,676	5,798,860	4,735,087	4,976,250	10,160,763	10,775,110	-6.0%
Expenses							
General government	1,370,237	1,376,998		-	1,370,237	1,376,998	
Public safety	3,651,438	3,397,609		-	3,651,438	3,397,609	
Public works	1,775,337	1,589,033		-	1,775,337	1,589,033	
Planning	223,995	210,663		-	223,995	210,663	
Parks & facilities	457,524	416,696		-	457,524	416,696	
Housing & Development	124,700	121,622		-	124,700	121,622	
Interest on long-term debt	-	-		-	-	-	
Water	-	-	2,194,183	2,092,690	2,194,183	2,092,690	
Sewer	-	-	1,663,582	1,527,901	1,663,582	1,527,901	
Airport	-	-	216,209	163,923	216,209	163,923	
Transit	-	-	110,194	94,754	110,194	94,754	
Total Expenses	7,603,231	7,112,621	4,184,168	3,879,268	11,787,399	10,991,889	6.7%
Increase (Decrease) in Net Position							
Before Transfers	(2,177,555)	(1,313,761)	550,919	1,096,982	(1,626,636)	(216,779)	
Transfers	385,276	398,983	(385,276)	(398,983)	-	-	
Increase (Decrease) in Net Position	(1,792,279)	(914,778)	165,643	697,999	(1,626,636)	(216,779)	
Net Position - Beginning (restated)	54,006,265	61,021,300	41,987,735	42,428,141	95,994,000	103,449,441	
Change in accounting principle (Note 5H)		(6,100,257)		(1,138,405)		(7,238,662)	
Net Position - Ending	$ 52,213,986	$ 54,006,265	$ 42,153,378	$ 41,987,735	$ 94,367,364	$ 95,994,000	-1.7%

The City's net position for governmental activities was $52,213,986 as of June 30, 2015, a decrease of $1,792,279 from the prior year. For the City's Business type activities, net position was $42,153,378 at June 30, 2015, an increase of about $165,643. Revenues were sufficient to cover operating expenses in the Water, Sewer, and Transit funds.

Governmental revenues decreased by $393,747 from fiscal year 2014. Property taxes, the single largest source of general fund revenue, increased by about 1.5% from fiscal 2014. Charges for services decreased due to decreased activity in the Planning and Building departments. There was less grant funding available for public safety.

Business type revenues have improved by $129,598 due to increased Water and Sewer service fees.

Following Table 3, variances in the City's general fund under the modified accrual method, measuring cash and all other financial assets that can readily be converted to cash, are discussed.

Table 3
General Fund Budget Analysis
Fiscal Year 2014-15

	Final Budget	Actual	Varience from Budget Favorable (Unfavorable)	Percentage Over (under) Budget
Revenue	$ 3,846,137	$ 4,273,041	$ 426,904	11.10%
Expenditures	(5,390,394)	(5,599,447)	(209,053)	3.88%
Transfer in (out) net	1,509,130	1,421,707	(87,423)	-5.79%
Net Change in Fund balance	$ (35,127)	$ 95,301	$ 130,428	

General Fund Highlights

The City spent about 10% more in fiscal year 2014-15 compared to the prior year for general fund activities.

Total revenues decreased by about 2% compared to the prior year due to decreased grants and reimbursements.

THE CITY'S FUNDS

Table 4
Summary of Changes in Fund Balances of Governmental Funds and Net Position of Enterprise Funds

	June 30, 2015	June 30, 2014	Increase (Decrease)	Increase (Decrease)
Governmental Funds:				
General Fund	$ 893,284	$ 797,983	$ 95,301	12%
Employee Retirement	506,185	734,119	(227,934)	-31%
Other Non-Major Govtl Funds	2,867,443	3,016,635	(149,192)	-5%
Total Governmental Fund Balances	$ 4,266,912	$ 4,548,737	$ (281,825)	-6%
Enterprise Funds:				
Water	$ 14,992,677	$ 14,840,210	$ 152,467	1.03%
Sewer	16,760,402	16,727,674	32,728	0.20%
Airport	10,438,466	10,467,155	(28,689)	-0.27%
Transit	(38,167)	(47,304)	9,137	-19.32%
Total Enterprise Net Position	$ 42,153,378	$ 41,987,735	$ 165,643	0.39%

For the year ended June 30, 2015, the City's governmental funds reported a *combined* fund balance of $4,266,912, down $281,825 or 6% from the prior year's balance of $4,548,737.

The City's enterprise funds had an ending net position of $42,153,378, a decrease of about $972,762 from the prior year's balance of $43,126,140 before restatement. This amount reflects the changes in all business type activities for 2015.

CAPITAL ASSETS

All of the City's capital assets have been reported in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34, including infrastructure assets such as roads, sidewalks, bridges, drainage systems, and street lighting systems as well as treatment plants, water mains, and sewer lines. Values are reported at historical cost or if not available, estimated historical cost.

Table 5
Capital Assets
June 30, 2015

	Governmental Activities		Business-type Activities		Totals		
	2015	2014	2015	2014	2015	2014	Change
Land - Nondepreciable	$ 26,867,609	$ 26,867,609	$ 17,795,413	$ 17,795,413	$ 44,663,022	$ 44,663,022	$ -
Buildings and Improvements	2,272,991	2,271,123	12,057,630	12,040,821	14,330,621	14,311,944	18,677
Improvements other than Buildings	5,914,883	5,877,371	1,877,937	1,877,937	7,792,820	7,755,308	37,512
Pipelines			23,311,556	23,311,556	23,311,556	23,311,556	-
Appurtenances			4,289,524	4,289,524	4,289,524	4,289,524	-
Fire hydrants, valves and meters			-	-	-	-	-
Equipment & Vehicles	2,004,146	2,004,146	1,336,961	1,280,931	3,341,107	3,285,077	56,030
Infrastructure	42,292,343	42,292,343			42,292,343	42,292,343	-
Construction in Progress			4,271,381	1,143,111	4,271,381	1,143,111	3,128,270
Total Capital Assets	79,351,972	79,312,592	64,940,402	61,739,293	144,292,374	141,051,885	3,240,489
Less: Accumulated Depreciation	(22,736,531)	(21,440,368)	(17,754,675)	(16,896,382)	(40,491,206)	(38,336,750)	(2,154,456)
Capital Assets - Net	$ 56,615,441	$ 57,872,224	$ 47,185,727	$ 44,842,911	$ 103,801,168	$ 102,715,135	$ 1,086,033

Detailed information on capital assets is presented in Note 4 D of the financial statements.

DEBT

The following is a summary of the City's long-term obligations as of June 30, 2015.

Table 6
Outstanding Debt
June 30, 2015

	Governmental Activities		Business-type Activities		Totals		
	2015	2014	2015	2014	2015	2014	Change
Installment Agreement	$ -	$ -	$1,059,000	$1,150,000	$ 1,059,000	$ 1,150,000	$ (91,000)
Water Sale Agreement	-	-	3,454,247	611,718	3,454,247	611,718	2,842,529
Notes	-	-	1,356,704	1,530,287	1,356,704	1,530,287	(173,583)
Capital Leases	-	-	-	25,186	-	25,186	(25,186)
Compensated Absences	317,773	405,004	227,997	231,758	545,770	636,762	(90,992)
Total Debt	$ 317,773	$ 405,004	$6,097,948	$3,548,949	$ 6,415,721	$ 3,953,953	$ 2,461,768

Detailed information on long-term obligations is presented in Note 4 E of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

As a result of the dissolution of the City's redevelopment agency, the City receives periodic distributions from the County for use in paying down enforceable obligations of the former redevelopment agency. The loss of tax increment revenues from the dissolution of the redevelopment agency has required the City to reconfigure its future budgets for operational and capital needs. The tax distributions being received as part of the dissolution process are currently covering the debt service payments with a limited amount available to pay the administration costs of the former agency.

In order to reconfigure the City's ability to sustain the current level of essential municipal services, the City is considering options to establish more discretionary revenues. The City is evaluating the potential revenue increases from the renegotiation of various franchise agreements, and increases in transient occupancy taxes (hotel tax). In 2014 the voters in the City of Cloverdale approved a 3% Utility Users Tax which became effective in January 2015 for a period of eight years.

Another challenge that the City has recently faced has been issues surrounding water capacity. This is an important issue not only for existing rate payers, but for potential developers. The Water System Improvement Project broke ground in 2014, funded through a low-interest loan and grant funding from the USDA. Two new wells were brought on line in 2014 and work continues on treatment capacity, additional storage, transmission mains, and other infrastructure improvements. In order to qualify, it was imperative that the City demonstrate its ability to repay the debt that would be created by the arrangement. The City was able to gain approval with community support to subsequently increase the water rates to levels that the City believes will be adequate for its purposes. The rate increases included a new rate structure which insures equity in user charges across all categories.

As time goes forward the State of California and U.S. federal government and its decisions will continue to have an impact on the future undertakings that the City must face. An example of this would be the mandate being passed down for the City to participate in a municipal storm sewer systems permit process and the program associated with it. There are also more and more regional initiatives that the City is asked to participate in, that will be considered for potential impact to the community and the possible need for investment of resources for the protection of the community's best interests.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Finance Manager Joanne Cavallari at City of Cloverdale, 124 N. Cloverdale Boulevard, Cloverdale, California 95425.

CITY OF CLOVERDALE
Statement of Net Position
June 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,168,882	$ 1,664,375	$ 5,833,257
Net receivables	564,060	657,829	1,221,889
Prepayments	137,150	26,336	163,486
Inventory	-	7,511	7,511
Internal balances	113,987	(113,987)	-
Deposits	-	8,100	8,100
Total current assets	4,984,079	2,250,164	7,234,243
Noncurrent assets:			
Restricted cash and cash equivalents	-	658,413	658,413
Capital assets not being depreciated	26,867,609	22,066,794	48,934,403
Capital assets being depreciated,net	29,747,832	25,118,933	54,866,765
Total noncurrent assets	56,615,441	47,844,140	104,459,581
Total assets	61,599,520	50,094,304	111,693,824
DEFERRED OUTFLOWS OF RESOURCES:			
Pension plan related items	594,640	107,295	701,935
LIABILITIES			
Current liabilities:			
Accounts payable	243,300	420,489	663,789
Accrued liabilities and retentions	473,867	56,291	530,158
Compensated absences	200,000	227,997	427,997
Deposits	-	272,542	272,542
Accrued interest payable	-	15,561	15,561
Long-term liabilities due in one year	-	403,640	403,640
Total current liabilities	917,167	1,396,520	2,313,687
Long-term liabilities due in more one year:			
Compensated absences	117,773	-	117,773
Net other post-employment benefit (OPEB)	2,228,118	-	2,228,118
Loans	-	2,070,065	2,070,065
Installment agreements	-	3,396,247	3,396,247
Net pension liability	5,407,616	949,592	6,357,208
Total due in more than one year	7,753,507	6,415,904	14,169,411
Total liabilities	8,670,674	7,812,424	16,483,098
DEFERRED INFLOWS OF RESOURCES:			
Pension olan related items	1,309,500	235,797	1,545,297
NET POSITION			
Net investment in capital assets	56,615,441	41,315,775	97,931,216
Restricted for:			
Affordable housing	713,086	-	713,086
Employee retirement	506,185	-	506,185
Municipal facilities	1,070,732	-	1,070,732
Streets and thoroughfares	646,157	-	646,157
Public safety	3,867	-	3,867
Parks	433,601	-	433,601
System improvements	-	658,413	658,413
Unrestricted (deficit)	(7,775,083)	179,190	(7,595,893)
Total net position	$ 52,213,986	$ 42,153,378	$ 94,367,364

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Activities
For The Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
					City Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
City government							
Governmental activities:							
General government	$ 1,370,237	$ 185,183	$ 200,353	$ -	$ (984,701)	$ -	$ (984,701)
Public safety	3,651,438	119,536	176,717	-	(3,355,185)	-	(3,355,185)
Planning	223,995	158,686	-	-	(65,309)	-	(65,309)
Parks and recreation	457,524	15,161	-	-	(442,363)	-	(442,363)
Public works	1,775,337	210,053	348,559	-	(1,216,725)	-	(1,216,725)
Housing and development	124,700	-	-	-	(124,700)	-	(124,700)
Total governmental activities	7,603,231	688,619	725,629	-	(6,188,983)	-	(6,188,983)
Business-Type Activities:							
Water	2,194,183	2,409,513	-	149,032	-	364,362	364,362
Wastewater	1,663,582	1,863,146	-	-	-	199,564	199,564
Transit	110,194	7,017	100,079	-	-	(3,098)	(3,098)
Airport	216,209	131,177	11,381	63,742	-	(9,909)	(9,909)
Total business-type activities	4,184,168	4,410,853	111,460	212,774	-	550,919	550,919
Total City government	$ 11,787,399	$ 5,099,472	$ 837,089	$ 212,774	(6,188,983)	550,919	(5,638,064)
		General revenues and transfers					
		General revenues:					
		Taxes:					
		Property taxes			1,773,895	-	1,773,895
		Sales taxes			836,791	-	836,791
		Pension tax			531,052	-	531,052
		Other taxes			820,892	-	820,892
		Other general revenues			48,798	-	48,798
		Transfers			385,276	(385,276)	-
		Total general revenues and transfers			4,396,704	(385,276)	4,011,428
		Change in net position			(1,792,279)	165,643	(1,626,636)
		Net position, beginning			54,006,265	41,987,735	95,994,000
		Net position, ending			$ 52,213,986	$ 42,153,378	$ 94,367,364

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Employees Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 643,221	$ 472,904	$ 3,052,757	$ 4,168,882
Receivables:				
Taxes	363,337	33,054	-	396,391
Accounts	123,999	-	-	123,999
Intergovernmental	-	-	36,546	36,546
Assessments	-	-	5,525	5,525
Interest	237	227	1,135	1,599
Due from other funds	135,500	-	-	135,500
Prepayments	134,524		2,626	137,150
Total assets	$ 1,400,818	$ 506,185	$ 3,098,589	$ 5,005,592
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 198,839	$ -	$ 44,461	$ 243,300
Accrued liabilities	308,695		165,172	473,867
Due to other funds	-	-	21,513	21,513
Total liabilities	507,534	-	231,146	738,680
Fund balances:				
Nonspendable	134,524	-	2,626	137,150
Restricted for affordable housing	-	-	712,049	712,049
Restricted for employee retirement	-	506,185	-	506,185
Restricted for capital facilities	-	-	1,070,732	1,070,732
Restricted for streets and thorroughfares	-	-	644,568	644,568
Restricted for public safety	-	-	3,867	3,867
Restricted for parks and parkland	-	-	433,601	433,601
Assigned for traffic safety	84,599	-		84,599
Assigned for equipment and projects	161,870	-	-	161,870
Unassigned	512,291	-	-	512,291
Total fund balances	893,284	506,185	2,867,443	4,266,912
Total liabilities and fund balances	$ 1,400,818	$ 506,185	$ 3,098,589	$ 5,005,592

Total Governmental Fund Balances	$ 4,266,912
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds	56,615,441
Other post-employment benefit obligations do not require the use of current financial resources and are not reported in the funds.	(2,228,118)
Some liabilities such as compensated are not due and payable in the current period and are therefore not reported in the funds	(317,773)
The net pension liability does not require the use of current financial resources and is therefore not reported in the funds	(5,407,616)
Deferred outflows of resources related to the net pension liability do not use current financial resources and are not therefore reported in the funds	594,640
Deferred inflows of resources for timing differences related to the net pension liability do not provide current financial resources and are not reported in the funds	(1,309,500)
Net Position of Governmental Activities	$ 52,213,986

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Employees Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 3,365,143	$ 531,052	$ 66,435	$ 3,962,630
Licenses and permits	99,190	-	-	99,190
Intergovernmental	193,321	-	318,259	511,580
Special assessments	-	-	164,255	164,255
Charges for services	109,009	-	-	109,009
Fines and forfeitures	46,649	-	-	46,649
Interest	2,619	911	5,506	9,036
Miscellaneous	457,110	-	66,217	523,327
Total revenues	4,273,041	531,963	620,672	5,425,676
EXPENDITURES				
Current:				
General government	1,333,628	-	-	1,333,628
Public safety	3,391,299	-	3,928	3,395,227
Public works	418,538	-	489,402	907,940
Parks and recreation	246,786	-	-	246,786
Planning	209,196	-	-	209,196
Total expenditures	5,599,447	-	493,330	6,092,777
Excess (deficiency) of revenues over expenditures	(1,326,406)	531,963	127,342	(667,101)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,437,455	-	108,325	1,545,780
Transfers out	(15,748)	(759,897)	(384,859)	(1,160,504)
Total other financing sources (uses)	1,421,707	(759,897)	(276,534)	385,276
Net change in fund balance	95,301	(227,934)	(149,192)	(281,825)
Fund balances, July 1	797,983	734,119	3,016,635	4,548,737
Fund balances, June 30	$ 893,284	$ 506,185	$ 2,867,443	$ 4,266,912

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$ (281,825)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($1,296,162) exceeds capital outlays ($39,380) in the current period.	(1,256,782)
Changes in the net pension liability and related deferred outflows of resources and deferred inflows of resources due to timing differences do not use current financial resources and are therefore not reported in the funds:	(22,220)
Governmental funds report compensated absences when payments are made or are immediately due. However, in the statement of activities these costs are recorded when incurred.	87,231
Increases in other post-employment benefit obligations do not require the use of current financial resources and are not reported in the funds	(318,683)
Net differences	(1,510,454)
Change in Net Position of Governmental Activities	$ (1,792,279)

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds				
	Water	Wastewater	Transit	Airport	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 618,495	$ 1,018,152	$ 27,728	$ -	$ 1,664,375
Receivables(net)	210,503	175,178	31,274	27,612	444,567
Due from other governments	213,262				213,262
Deposits	2,100	6,000	-	-	8,100
Loans to other funds	-	420,000	-	-	420,000
Inventory	-	-	-	7,511	7,511
Prepayments	13,514	11,185	1,432	205	26,336
Total current assets	1,057,874	1,630,515	60,434	35,328	2,784,151
Noncurrent assets:					
Other assets:					
Cash and cash equivalents	497,611	160,802	-	-	658,413
Total other noncurrent assets	497,611	160,802	-	-	658,413
Capital assets:					
Capital assets not being depreciated:					
Land	2,221,441	6,252,835	-	9,321,137	17,795,413
Construction in progress	4,212,782	-	-	58,599	4,271,381
Total	6,434,223	6,252,835	-	9,379,736	22,066,794
Capital assets being depreciated:					
Buildings	8,701,139	3,148,365	-	208,126	12,057,630
Improvements	-	-	-	1,877,937	1,877,937
Pipelines	12,547,279	10,764,277	-	-	23,311,556
Appurtenances	2,112,439	2,177,085	-	-	4,289,524
Vehicles	243,700	556,928	113,176	-	913,804
Machinery and equipment	291,962	121,520	-	9,675	423,157
Less accumulated depreciation	(9,453,584)	(7,320,010)	(113,176)	(867,905)	(17,754,675)
Net capital assets being depreciated	14,442,935	9,448,165	-	1,227,833	25,118,933
Net capital assets	20,877,158	15,701,000	-	10,607,569	47,185,727
Total noncurrent assets	21,374,769	15,861,802	-	10,607,569	47,844,140
Total assets	22,432,643	17,492,317	60,434	10,642,897	50,628,291
DEFERRED OUTFLOWS OF RESOURCES					
Pensiojn plan items	58,148	39,723	6,550	2,874	107,295
LIABILITIES					
Current liabilities:					
Accounts payable	333,913	50,477	524	35,575	420,489
Other current liabilities	28,253	24,867	2,634	537	56,291
Compensated absences	102,682	94,896	29,588	831	227,997
Deposits	266,047	-	35	6,460	272,542
Due to other funds	-	-	-	113,987	113,987
Loans from other funds	420,000	-	-	-	420,000
Interest payable	14,806	755	-	-	15,561
Long term obligations due in one year	316,919	79,809	-	6,912	403,640
Total current liabilities	1,482,620	250,804	32,781	164,302	1,930,507
Noncurrent liabilities due in more than one year:					
Bank loan	892,000	-	-	-	892,000
Installment sale agreement (2014)	3,396,247	-	-	-	3,396,247
State Revolving Fund Loan	-	81,973	-	-	81,973
Safe Drinking Water Loan	1,084,822	-	-	-	1,084,822
State Department Transportation loan	-	-	-	11,270	11,270
Net pension liability	514,634	351,563	57,974	25,421	949,592
Total noncurrent liabilities	5,887,703	433,536	57,974	36,691	6,415,904
Total liabilities	7,370,323	684,340	90,755	200,993	8,346,411
DEFERRED INFLOWS OF RESOURCES					
Pension plan items	127,791	87,298	14,396	6,312	235,797
NET POSITION					
Net investment in capital assets	15,187,170	15,539,218	-	10,589,387	41,315,775
Restricted	497,611	160,802	-	-	658,413
Unrestricted (deficit)	(692,104)	1,060,382	(38,167)	(150,921)	179,190
Total net position	$ 14,992,677	$ 16,760,402	$ (38,167)	$ 10,438,466	$ 42,153,378

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Enterprise Funds				
	Water	Wastewater	Transit	Airport	Totals
OPERATING REVENUES					
Sales of water	$ 2,406,202	$ -	$ -	$ -	$ 2,406,202
Service fees	-	1,860,284	6,855	-	1,867,139
Sale of fuel and rents	-	-	-	131,063	131,063
Miscellaneous	-	161	133	114	408
Total operating revenues	2,406,202	1,860,445	6,988	131,177	4,404,812
OPERATING EXPENSES					
Salaries and benefits	992,759	724,302	97,764	40,786	1,855,611
Purchased power	176,661	263,551	-	8,818	449,030
Services and supplies	387,037	312,538	12,430	116,134	828,139
Depreciation and amortization	458,002	357,779	-	42,512	858,293
Total operating expenses	2,014,459	1,658,170	110,194	208,250	3,991,073
Operating income (loss)	391,743	202,275	(103,206)	(77,073)	413,739
NON-OPERATING REVENUES (EXPENSES)					
Operating subsidies	-	-	100,079	11,381	111,460
Interest and investment revenue	3,311	2,701	29	-	6,041
Interest expense	(179,724)	(5,412)	-	(7,959)	(193,095)
Net nonoperating revenues (expenses)	(176,413)	(2,711)	100,108	3,422	(75,594)
Income (loss) before contributions and transfers	215,330	199,564	(3,098)	(73,651)	338,145
Contributions and transfers:					
Transfers in	119,055	81,243	13,414	5,931	219,643
Transfers out	(330,950)	(248,079)	(1,179)	(24,711)	(604,919)
Capital grants	149,032	-	-	63,742	212,774
Capital contributions	-	-	-	-	-
Net contributions and transfers	(62,863)	(166,836)	12,235	44,962	(172,502)
Change in net position	152,467	32,728	9,137	(28,689)	165,643
Total net position, July 1	14,840,210	16,727,674	(47,304)	10,467,155	41,987,735
Total net position, June 30	$ 14,992,677	$ 16,760,402	$ (38,167)	$ 10,438,466	$ 42,153,378

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Enterprise Funds				
	Water	Wastewater	Transit	Airport	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 2,350,836	$ 1,882,421	$ 6,988	$ 128,139	$ 4,368,384
Payments to suppliers	(575,444)	(606,001)	(13,348)	(122,602)	(1,317,395)
Payments to employees	(1,016,663)	(733,721)	(99,767)	(41,914)	(1,892,065)
Net cash provided by (used for) operating activities	758,729	542,699	(106,127)	(36,377)	1,158,924
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	119,055	81,243	13,414	5,931	219,643
Transfers out	(330,950)	(248,079)	(1,179)	(24,711)	(604,919)
Repayments to other funds	-	-	-	(103,260)	(103,260)
Advances from other funds	-	-	-	113,987	113,987
Operating subsidies	-	-	112,308	11,381	123,689
Net cash provided by (used for) noncapital financing activities	(211,895)	(166,836)	124,543	3,328	(250,860)
CASH FLOWS FROM CAPITAL AND RELATED					
Capital contributions	239,324	-	-	58,635	297,959
Proceeds of long-term debt	4,299,984	-	-	-	4,299,984
Capital asset purchases	(3,235,574)	(53,758)	-	(11,009)	(3,300,341)
Payments on long-term debt principal	(1,239,329)	(102,822)	-	(6,618)	(1,348,769)
Interest paid on long-term debt	(164,918)	(8,339)	-	(7,959)	(181,216)
Net cash provided by (used for) capital and related financing activities	(100,513)	(164,919)	-	33,049	(232,383)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	3,312	2,701	29	-	6,042
Net cash provided by investing activities	3,312	2,701	29	-	6,042
Net increase (decrease) in cash and cash equivalents	449,633	213,645	18,445	-	681,723
Balances-beginning of the year	666,473	965,309	9,283	-	1,641,065
Balances-end of the year	$ 1,116,106	$ 1,178,954	$ 27,728	$ -	$ 2,322,788

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds				
	Water	Wastewater	Transit	Airport	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 391,743	$ 202,275	$ (103,206)	$ (77,073)	$ 413,739
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	458,002	357,779	-	42,515	858,296
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(77,947)	21,976	-	-	(55,971)
(Increase) decrease in prepayments	10,718	(434)	3	276	10,563
Increase (decrease) in deferred pension items	119,297	81,496	13,440	5,891	220,124
Increase (decerease) in net pension liability	(131,771)	(90,018)	(14,844)	(6,510)	(243,143)
Increase (decrease) in other liabilities	11,151	(897)	(599)	(3,550)	6,105
Increase (decrease) in accounts payable	(22,464)	(29,478)	(921)	2,074	(50,789)
Net cash provided by (used for) operating activities	$ 758,729	$ 542,699	$ (106,127)	$ (36,377)	$ 1,158,924

Noncash capital financing activities:

During the fiscal year, there were none.

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Fiduciary Net Position
June 30, 2015

	Successor Agency to Cloverdale Community Development Agency	Housing Successor to to Cloverdale Community Development Agency	Totals
ASSETS:			
Cash and cash equivalents	$ 3,509,240	$ 1,921,809	$ 5,431,049
Cash with trustees	971,354	-	971,354
Taxes receivable	23,799	-	23,799
Interest receivable	1,665	753	2,418
Notes receivable	405,944	250,000	655,944
Total assets	$ 4,912,002	$ 2,172,562	7,084,564
LIABILITIES:			
Accounts payable	$ 4,172	$ -	$ 4,172
Deposits	-	-	-
Interest payable	533,201	-	533,201
Bank Loan	2,385,368	-	2,385,368
Tax allocation bonds	25,510,000	-	25,510,000
Total liabilities	28,432,741	-	28,432,741
NET POSITION (DEFICIT):			
Held in trust for Taxing Agencies	(23,520,739)	2,172,562	(21,348,177)
Total Net Position	$ (23,520,739)	$ 2,172,562	(21,348,177)

See accompanying notes to the basic financial statements

CITY OF CLOVERDALE
Statement of Changes in Fiduciary Net Position
For The Fiscal Year Ended June 30, 2015

	Successor Agency to Cloverdale Community Development Agency	Housing Successor to to Cloverdale Community Development Agency	Totals
ADDITIONS:			
Distributions for enforceable obligations	$ 2,187,160	$ -	$ 2,187,160
Interest	9,058	753	9,811
Contribution from housing successor	57,907	-	57,907
Other additions - long term notes	8,865	-	8,865
Total additions	2,262,990	753	2,263,743
DEDUCTIONS:			
Interest	1,334,749	-	1,334,749
Contribution to successor agency	-	57,907	57,907
Administration	261,060	-	261,060
Total deductions	1,595,809	57,907	1,653,716
Increase (decrease) in net position	667,181	(57,154)	610,027
Net position, June 30, 2014	(24,187,920)	2,229,716	(21,958,204)
Net position (deficit), June 30, 2015	(23,520,739)	2,172,562	(21,348,177)

See accompanying notes to the basic financial statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cloverdale is a municipal corporation governed by an elected Mayor and four City Council members. The accompanying financial statements present the government, and the financial activities entities for which the government is considered to be financially accountable.

The Community Development Agency of the City of Cloverdale was dissolved effective February 1, 2012. The City elected to serve as the successor custodian of the non-housing and housing related residual assets and obligations of the former redevelopment agency. These activities are accounted for as private purpose trust funds and are reported separately in these financial statements as fiduciary funds. Fiduciary fund assets, liabilities and financial activity are not reported in the City's government-wide statement of net position, statement of activities, or fund statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Fiduciary funds are reported separately from City funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting, as are the proprietary fund financial statements.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, transient occupancy taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *Employees Retirement* fund is used to account for a special voter approved tax to fund employee pension costs.

The City reports the following major proprietary funds:

The *water enterprise fund* accounts for the operations of the City's water treatment and distribution system, a *wastewater fund* accounts for the operation of the City's wastewater treatment plant and collection facilities, and an *airport enterprise fund* is used for account for the operations of the City's municipal airport and runway facilities.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations and the provisions of GASB statement Number 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, wastewater and airport function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, banker's acceptances, repurchase agreements, and time deposits and savings and demand accounts.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Sonoma collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments in the governmental funds are accounted for using the consumption method.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 ($100,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25-50
Public domain infrastructure	7-50
Furniture and fixtures	5-12
Vehicles and equipment	2-20

5. Compensated Absences and Other Post Employment Benefit Obligations

It is the government's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is a liability for unpaid accumulated vacation and a portion of unpaid sick leave since the City does have a policy to pay employees for unused benefits when they separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured and have not been paid when due, for example, as a result of employee resignations and retirements. Other post employment benefit obligations, such as those related to retiree medical benefit plans, are accrued in the government-wide financial statements based upon actuarial and other plan information.

6. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

7. Fund Balances – Governmental Funds

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) non-spendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned amounts. Non-spendable amounts generally are items not expected to be converted into cash such as inventories, prepaid items and certain long-term receivables. Restricted amounts include those where constraints placed on the use of resources are externally imposed by grantors, contributors, other governments or by laws and regulations. Committed amounts are those that can only be used for a specific purpose as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Fund Balances – Governmental Funds (Continued

Assigned amounts are fund balance amounts constrained by the City's intent to be used for a specific purpose as determined by the City Manager or Finance Manager. Unassigned amounts are the residual amounts reported in the general fund. When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned, and then unassigned amounts.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of California Public Employees Retirement System (PERS) and additions to or deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by the PERS. 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.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this $56,615,441 difference are as follows:

Capital assets	$ 79,351,972
Less: Accumulated depreciation	(22,736,531)
Net adjustment to increase *fund balance – total governmental* funds to arrive at net position – governmental activities	$ 56,615,441

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and, therefore, are not reported in the funds. The details of this $317,773 difference are as follows:

Compensated absences	$ (317,773)
Net adjustment to decrease fund balance total governmental funds to arrive at net position - governmental activities	$ (317,773)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this ($1,510,454) difference and other significant components of the difference are as follows:

2. Reconciliation of Government-wide and Fund Financial (Continued)

Capital outlay	$ 39,680
Depreciation expense	(1,296,162)
Other post-employment benefits	(318,683)
Change in net pension liability `and related deferred items	(22,220)
Other items	87,231
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ (1,510,454)

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made no supplemental appropriations during the fiscal year. Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end lapse and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The Safe Route to School fund had a $950 deficit. The deficit will be funded by future fund transfers or revenues

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2015 consisted of the following:

Pooled and other demand deposits	$ 4,483,663
Investments	1,918,007
Total deposits and investments	$ 6,401,670

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2015, $4,315,352 of the City's bank balances of $ 4,565,352 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	$ 4,315,352

Investments - At June 30, 2015 the City had the following investments.

Type Investment	Average Maturity	Fair Value
State Investment Pool (LAIF)	239 Days	$ 7,088,643
Sonoma County Treasurers Pool	514 days	350,413
Dreyfus Institutional Reserve Treasury Fund	57 days	971,354
		$ 8,410,410

The City's holdings include $8,410,410 in investments and $4,483,663 in demand deposits for a total of $12,894,073. Of the total, $6,402,403 is held in a fiduciary fund for the private purpose trust.

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to securities having a maturity date of five years or less at the date of purchase.
Credit Risk - The City's policy is to mitigate this risk by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the investment portfolio. The City's investment in money market funds was rated Aaa by Moody's Investor Service, AAA by Standard and Poor, and AAA by Fitch. The State Investment Pool and the Sonoma County Investment Pool are unrated.
Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments were held in investments not evidenced by specific securities and not collateralized by other investments or deposits.

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General	Employees Retirement	Nonmajor Funds	Total Governmental	Water Wastewater	Airport Transit
Accounts	$ 123,999	$ -	$ -	$ 123,999	$ 385,681	$ 58,886
Taxes	363,337	33,054	-	396,391	-	-
Assessments	-	-	5,525	5,525	-	-
Interest	237	227	1,135	1,599	-	-
Governments	-	-	36,546	36,546	213,262	-
Totals	$ 487,573	$ 33,281	$43,206	$ 564,060	$ 598,943	$ 58,886

C. Interfund Transfers, Receivables and Payables

1. The composition of interfund transfers of June 30, 2015 is as follows:

Transfers In:	General Fund	Enterprises	Non-Major	Total Transfers Out
Transfers Out:				
Enterprises	$ 604,919	$ -	$ -	$ 604,919
General fund			15,748	15,748
Retirement Tax	512,889	219,643	27,365	759,897
Non-major	319,647	-	65,212	384,859
Totals	$ 1,437,455	$ 219,643	$ 108,325	$ 1,765,423

The primary purpose of the transfers into the general fund were to provide $512,889 in special pension tax funds to cover retirement costs as approved by voters, pay the general fund for $604,919 in services provided to the water and wastewater funds, and provide $319,647 to the general fund for support provided to special funds of the City for specific purpose such as streets and public safety. These types of transfers are normal recurring funding transfers between City funds. The $420,000 loan payable to the wastewater fund by the water fund matures January 2016, bears interest at .22 percent, and was made to help finance system improvements. The $135,500 due to the general fund was made for temporary cash flow purposes to fund costs in the airport fund ($113,987), the CDBG fund ($20,563) and the Safe Routes fund ($950).

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 26,867,609	$ -	$ -	$ 26,867,609
Total capital assets, not being depreciated	26,867,609	-	-	26,867,609
Capital assets, being depreciated:				
Buildings	2,271,123	1,868	-	2,272,991
Storm drains and culverts	10,458,900	-	-	10,458,900
Streets and sidewalks	31,833,443	-	-	31,833,443
Parks and lighting improvements	5,877,371	37,512	-	5,914,883
Equipment and vehicles	2,004,146	-	-	2,004,146
Total capital assets being depreciated	52,444,983	39,380	-	52,484,363
Less accumulated depreciation for:				
Buildings	(1,163,569)	-	(44,241)	(1,207,811)
Storm drains and culverts	(4,216,817)	-	(207,780)	(4,424,597)
Streets and sidewalks	(11,264,496)	-	(803,385)	(12,067,881)
Parks and lighting systems	(2,924,760)	-	(202,148)	(3,126,908)
Equipment and vehicles	(1,870,726)	-	(38,608)	(1,909,334
Total accumulated depreciation	(21,440,369)	-	(1,296,162)	(22,736,531)
Total capital assets, being depreciated, net	31,004,614	39,380	(1,296,162)	29,747,832
Governmental activities capital assets, net	$ 57,872,223	$ 39,380	$ (1,296,162)	$ 56,615,441

4. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Capital asset activity relating to business-type activities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 17,795,413	$ -	$ -	$ 17,795,413
Construction in progress	1,143,111	3,128,270	-	4,271,381
Total capital assets, not being depreciated	18,938,524	3,128,270	-	22,066,794
Capital assets, being depreciated:				
Buildings	12,040,821	16,809	-	12,057,630
Improvement	1,877,937	-		1,877,937
Pipelines	23,311,556	-	-	23,311,556
Appurtenances	4,289,524	-	-	4,289,524
Vehicles	867,517	46,287	-	913,804
Equipment	413,414	9,743	-	423,157
Total capital assets being depreciated	42,800,769	72,839	-	42,873,608
Less accumulated depreciation for:				
Buildings	(4,670,209)	-	(239,453)	(4,909,662)
Improvements	(643,632)	-	(39,509)	(683,141)
Pipelines	(8,824,288)	-	(465,781)	(9,290,069)
Appurtenances	(1,749,778)	-	(67,685)	(1,817,463
Vehicles and equipment	(1,008,475)	-	(45,865)	(1,054,340)
Total accumulated depreciation	(16,896,382)	-	(858,293)	(17,754,675)
Total capital assets, being depreciated, net	25,904,387	72,839	(858,293)	25,118,933
Business-type activities capital assets, net	$ 44,842,911	$ 3,201,109	$ (858,293)	$ 47,185,727

Construction in progress of $4,271,381consists primarily of costs related to the City's water system improvement project.

4. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Depreciation and amortization expense was charged to functions/programs of the City as follows:

Governmental activities:		
General government	$	63,096
Parks		202,148
Safety		19,753
Infrastructure-Streets		1,011,165
Total depreciation expense-governmental activities	$	1,296,162
Business-type activities:		
Water	$	458,002
Wastewater		357,779
Airport		42,512
Total depreciation/amortization-business activities	$	858,293

E. Long-Term Debt

Safe Water Drinking Loan

The City entered into an agreement with the Department of Water resources for a $2,520,000 loan for the purpose of financing water system improvements. The loan bears interest at 2.955 percent, is repayable in semiannual payments each April 1 and October 1, and matures April 2026. The City is obligate to set system revenue rates sufficient to cover system expenses plus debt service payments on the loan. In addition, the City is required to maintain a reserve fund equal to two semiannual payments or $126,088. At June 30, 2015, there was $154,273 on deposit in the reserve fund held by the fiscal agent.

Future debt service on the total loan amount is:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 91,919	$ 34,169	$ 126,088
2017	94,790	31,298	126,088
2018	97,546	28,542	126,088
2019	100,490	25,598	126,088
2020	103,395	22,693	126,088
2021-2025	565,296	65,144	630,440
2026	123,304	2,783	126,087
Totals	$ 1,176,740	$ 210,227	$ 1,386,967

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Water Loan (2014)

The City entered into a loan agreement for $1,059,000 with the Municipal Finance Corporation which loan was funded by and assigned to City National Bank. The loan was made for the purpose of refinancing the City's 2000 installment purchase agreement with the California Statewide Communities Development Authority in the amount of $1,010,000. The loan bears interest at 2.3 percent, is payable in semi-annual installments and matures October 1, 2020. The loan is secured by the net revenues of the water system as defined in the loan agreement. There was no significant gain or loss on the refinancing transaction. The refinancing reduced total debt service payments over the next six years by $60,775. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $57,233.

Future debt service on the loan is:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 167,000	$ 22,437	$ 189,437
2017	170,000	18,561	188,561
2018	174,000	14,605	188,605
2019	178,000	10,557	188,557
2020	183,000	6,405	189,405
2021	187,000	2,150	189,150
Totals	$ 1,059,000	$ 74,715	$ 1,133,715

Future debt service on the loan is $1,133,715. The City expects that the annual debt service on the loan will require about 22 percent of system net revenues. For the fiscal year ended June 30, 2015, debt service payments on the loan was $10,284 and system net revenues as defined were $853,057.

Wastewater State Revolving Fund Loan

The City obtained a State Revolving Fund Loan in an original amount of $1,258,028 for the purpose of financing system improvements. The loan bears interest at 2.8 percent, is payable each May 2 in annual installments of $84,339 interest and principal taken together, and matures May 2, 2017. Under the arrangement, the City is obligated to maintain rates sufficient to generate revenues to cover operating costs and debt service requirements. The future debt service is:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 79,809	$ 4,530	$ 84,339
2017	81,973	2,295	84,268
Totals	$ 161,782	$ 6,829	$ 168,607

Annual principal and interest payments on the loan are expected to require less than 15 percent of net revenues as defined. The total principal and interest remaining to be paid on the loans is $168,607. Principal and interest paid for the current year and total system net revenues were $84,339 and $572,404 respectively.

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Airport Loan:

The city obtained a loan in an original amount of $85,000 from the California Department of Transportation, Aeronautics Division, for the purpose of financing an airport fuel facility. The Loan bears interest at 5.63 percent, and matures in 2018. Future debt service is:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 6,912	$ 660	$ 7,572
2017	7,206	634	7.840
2018	4,064	229	4,293
Totals	$ 18,182	$ 1,523	$ 19,705

2014 Water Installment Sale Agreement

The City has entered into an installment sale agreement with the Public Property Financing Corporation of California for the purpose of obtaining funds to finance the construction of improvements to the City's municipal water system. Under the arrangement, the Corporation is to sell $4,000,000 in Series 2014A Certificates of Participation which Certificates are to be purchased and funded by the Rural Utilities Service, United States Department of Agriculture (USDA). The City's obligation to make payments under the installment agreement is a special obligation limited solely to the net revenues, as defined, of the City's water enterprise. The agreement bears interest at 2.75 percent, and installment payments are due each May 1 and November 1 commencing May 1, 2015 and continuing through May 1, 2054.The first principal payment is to be made November 1, 2015. The agreement is an as drawn down/reimbursement basis loan arrangement wherein the interest to be paid is to be determined based upon the dates that the proceeds are advanced to the City. As of June 30, 2015, the City had incurred $3,454,247 in project costs eligible for funding under this borrowing arrangement. Accordingly, the City in its water enterprise has drawn down $3,240,985 in loan proceeds and has accrued a receivable for the $213,262 and an installment agreement payable in the same amount. Future debt service under the arrangement, if all proceeds are eventually drawn down by the City, would be as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 58,000	$ 110,000	$168,000
2017	60,000	108,406	168,406
2018	62,000	106,756	168,756
2019	64,000	105,050	169,050
2020	65,000	103,290	168,290
2021-2025	353,000	488,620	841,620
2026-2030	406,000	437,282	843,282
2031-2035	468,000	378,096	846,096
2036-2040	532,000	309,282	841,282
2041-2045	606,000	233,202	839,202
2046-2050	696,000	144,956	840,956
2051-2054	630,000	43,918	673,918
Totals	$ 4,000,000	$ 2,568,858	$ 6,568,858

4. Detailed Notes on All Funds (Continued)

Long-term debt activity for 2015 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	$ 405,004	$ 200,000	$ 287,231	$ 317,773	$ 200,000
Total	$ 405,004	$ 200,000	$ 287,231	$ 317,773	$ 200,000
Business-type Activities:					
Safe Water Loan	$ 1,266,069	$ -	$ 89,329	$ 1,176,740	$ 91,919
Water installment agreement	1,150,000	-	1,150,000	-	-
Water loan (2014)	-	1,059,000	-	1,059,000	167,000
Wastewater State Loan	239,418	-	77,636	161,782	79,809
2014 Water agreement	611,718	2,842,529	-	3,454,247	58,000
Airport State Loan	24,800	-	6,618	18,182	6,912
Capital lease	25,186	-	25,186	-	-
Compensated absences	231,758	100,000	103,761	227,997	227,997
Total	$ 3,548,949	$ 4,001,529	$ 1,452,530	$ 6,097,948	$ 631,637

5. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City is a member in the Redwood Empire Municipal Insurance Fund (REMIF); a joint powers authority which provides joint protection programs for public entities covering automobile, general liability, errors and omissions losses, property and workers compensation claims. Under the program, the City has a $5,000 general liability retention limit similar to a deductible with the Fund being responsible for losses above that amount up to $500,000. The Fund carries excess liability coverage to a total of $40 million in excess of its $500,000 retention limit through the California Joint Powers Risk Management Authority and its excess insurers.

The Fund covers workers compensation claims up to its self-insurance limit of one million. A purchased excess policy insures the fund for an additional $ 1 million to provide aggregate coverage of up to $ 2miilion per claim. The city pays an annual premium to the Fund, and the City may share in any surplus revenues or may be required to pay additional assessments based upon the Fund's operating results. The Fund provides property coverage up to $300 million per occurrence. The city paid no material uninsured losses during the 2014-2015 fiscal years. Financial statements of the JPA Fund may be obtained from their administrative offices located at 414 W. Napa Street, Sonoma, California, 95476. Liabilities of the City are reported in the statement of net assets for the governmental activities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years.

5. Other Information

B. Contingencies and Commitment

Litigation. The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.
Grants and allocations. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Restricted Net Position and Non-Spendable Fund Balances

The $3,353,065 restricted amount in the governmental activities and the $658,413 in the business-type activities statement net position represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments. Nonspendable fund balance in the general fund consisted of, loans and deposits.

D. Other Post Employment Benefits (OPEB)

Plan Description. The City of Cloverdale administers the City's Retired Employees Healthcare Plan, a single employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. City resolutions and agreements assign the authority to establish and amend benefit provisions to the City. Separate financial statements of the Plan are not issued by the City. A separate OPEB trust or equivalent arrangement has not been established by the City.

Funding Policy. The contribution requirements of plan members and the City of Cloverdale are established by and may be amended by the City.The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the City Council. For the fiscal year ended June 30, 2015, the City contributed $48,242 for current year premiums (100 percent of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts of the total premiums.

Annual OPEB Costs and Net OPEB Obligation. The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

Annual required contribution (ARC)	$ 393,854
Less interest on net OPEB asset	47,736
Add adjustment to annual required contribution (ARC)	(74,665)
Subtotal annual OPEB expense	366,925
Less contributions made	(48,242)
Increase in net OPEB Obligation	318,683
Net OPEB (Asset) obligation, beginning of year	1,909,435
Net OPEB (Asset) obligation, end of year	$ 2,228,118

5. Other Information (Continued)

D. Other Post Employment Benefits (OPEB) (Continued)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	$ 366,925	13.1%	$ 2,228,118
June 30, 2014	$ 363,115	16.2%	$ 1,909,435
June 30, 2013	$ 432,350	12.4%	$ 1,605,215

Annual OPEB Costs and Net OPEB Obligation (Continued)

Funding Status and Funding Progress. As of June 30, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $4,549,244 and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $4,549,244. The covered payroll (annual payroll of active employees covered by the plan) was $2,524,560 and the ratio of the UAAL to the covered payroll was 180.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

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

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 2.5 percent investment rate of return which is a blended rate of the expected long-term invested returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend of 4.7 to 8 initially, reduced to an ultimate rate of 5.0 percent after eight years. There were no plan assets to value at the latest plan valuation date. The UAAL is being amortized as a level percentage of projected payroll over 27 years, the remaining amortization period as of June 30, 2014. The amortization period is closed.

E. Public Employee Pension Plans

Plan Description - The plans are a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS).The CalPERS is governed by a 13 member Board of Administration with six elected members, three appointed members and four ex officio members which include the State Treasurer, the State Controller, the Director of the California Department of Human Services and a designee of the State Personnel Board.

5. Other Information (Continued)

E. Public Employee Pension Plans (Continued)

Benefits Provided - The CalPERS provides retirement, disability and death benefits. Retirement benefits are defined as 2.5 percent of the employees final 12 months average compensation times the employee's years of service (2.0 percent for safety employees) Employees with 10 years of continuous are eligible to retire at age 55 (age 50 for safety employees) Employees are eligible for service-related disability benefits regardless of the length of service. Five years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits equal an employee's final full-year salary. Both plans provide for a 2 percent Cost of Living Adjustment (COLA). The public safety plan is closed to new entrants.

Contributions – Section 20814 of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employees 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 actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution rate is 6.891 percent of annual pay, and the average employer contribution rate is 15.727 percent of annual payroll (8.986 and 32.511 percent for the safety plan). Contributions (employer) to the plan in were $664,537 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions - At June 30, 2014 the City reported a liability of $6,357,208 for its proportionate share of the net pension liability for all plans. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the City's proportion was 0.04982 percent for the miscellaneous plan and 0.05234 percent for its safety plan. For the measurement period ending June 30, 2014, the City recognized pension expense of $241,688 for the miscellaneous Plan and $330,623 for the safety plan. .At June 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual Earnings on pension plan investments	-	(769,824)
Changes in proportions and differences between City contributions and proportionate share of contributions	37,398	-
City contributions subsequent to the Measurement date	312,896	-
Totals	$ 350,294	$ (769.824)

5. Other Information (Continued)

E. Public Employee Pension Plans (Continued)

The $312,896 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016 City financial statements as part of the June 30, 2015 plan measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows (Inflows) of Resources
2015	$(179,099)
2016	(179,099)
2017	(181,772)
2018	(192,456)
2019	-
Thereafter	-

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual Earnings on pension plan investments	-	(729,824)
Changes in proportions and differences between City contributions and proportionate share of contributions	-	(45,649)
City contributions subsequent to the Measurement	351,641	-
Totals	$ 351,641	$ (775,473)

The $351,641 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015 plan measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows (Inflows) of Resources
2015	$(198,759)
2016	(198,759)
2017	(195,499)
2018	(182,456)
2019	-
Thereafter	-

5. Other Information (Continued)

E. Public Employee Pension Plans (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.0 percent
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

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 cash flows. The expected rate of return was then set equivalent to a single equivalent rate calculated by CalPERS and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	.99	2.43
Inflation Sensitive	6.0	.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure & Forestland	3.0	4.50	5.09
Liquidity	2.0	(.55)	(1.05)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. 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 likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employee Retirement Fund.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate-The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage higher (8.50 percent) than the current rate:

City's proportionate share of the net pension liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Miscellaneous Plan	$4,998,295	$3,100,203	$1,524,967
Safety Plan	$5,111,966	$3,257,005	$1,728.597

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

5. Other Information (Continued)

F. Successor to the Community Development Agency of the City of Cloverdale

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. As a result, all redevelopment agencies are dissolved effective February 1, 2012.

The Agency's assets were transferred to a Successor Agency. The Successor Agency is to be the City or County that originally created the former agency unless an election is made to not be the Successor Agency. The Successor Agency is to take control of all redevelopment assets, properties, contracts, leases, records, buildings and equipment and dispose of all assets and properties of the former redevelopment agency. The City has elected to be the Successor Agency for both housing and non-housing purposes.

The Successor Agency is to establish a Redevelopment Obligation Retirement Fund, review the Agency's enforceable obligation payment schedule (which schedule includes agency obligations and for that matter excludes certain defined obligations), modify the schedule and readopt it if necessary. The Successor Agency may only make payments for those obligations in a Recognized Obligation Payment Schedule (ROPS) as approved by regulatory bodies. The respective County Auditor-Controller, is required, among other matters, to (1) establish a redevelopment obligation retirement fund, (2) establish a property tax trust fund, (3) and periodically distribute property taxes to the Successor Agency in an amount equal to the cost of obligations specified in the ROPS and (4) perform other functions.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City and others are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on these issues is not a position of settled law and there is considerable legal uncertainty regarding these issues. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority or other authorized body that would resolve any of the dissolution matters unfavorable to the City.

After the date of the dissolution, the assets and financial activities of the dissolved redevelopment agency are reported in a fiduciary fund (the private purpose trust fund) in the financial statements of the City of Cloverdale. The assets and liabilities of the private purpose trust are excluded from the government-wide statement of net assets of the City of Cloverdale and from the Statement of Activities of the City of Cloverdale because fiduciary assets are not available in any fashion for use by the City.

Enforceable Obligations of the Successor Agency:

2006 Tax Allocation Refunding Bonds

The Cloverdale Improvement Authority in 2006 purchased from the Community Development Agency of the City of Cloverdale $21,465,000 in 2006 Tax Allocation Refunding Bonds. The bonds bear interest at rates from 4 to 5 percent, and consist of serial bonds maturing each August 1 through 2026 and term bonds maturing in 2031 and 2036. The bonds had been secured by a pledge of incremental property tax revenues including a proportionate share of tax revenues allocated to the Agency's Low and Moderate Income Housing Fund. The bonds are also secured by a Surety Bond reserve requirement of $1,595,250 and a Financial Guaranty Policy that guarantees payment of principal and interest on the bonds.

5. Other Information (Continued)

F. Successor to the Community Development Agency of the City of Cloverdale (Continued)

Enforceable Obligations of the Successor Agency: (Continued)

2007 Subordinate Tax Allocation Bonds

The Cloverdale Improvement Authority in 2007 purchased from the Community Development Agency of the City of Cloverdale $6,155,000 in 2007 Subordinate Tax Allocation Bonds. The bonds bear interest at 5.5 percent, and consist of term bonds maturing September 2038. The bonds are secured by a pledge of the subordinate incremental property tax revenues plus a $615,000 reserve fund maintained by a bank trustee.

Future debt service on the 2006 bonds is:

Fiscal Year	Principal	Interest	Total
2016	$ 500,000	$ 899,721	$ 1,399,721
2017	520,000	878,696	1,398,696
2018	540,000	857,496	1,397,496
2019	565,000	835,114	1,400,114
2020	590,000	811,363	1,401,363
2021-2025	3,365,000	3,649,750	7,014,750
2026-2030	4,220,000	2,802,505	7,022,505
2031-2035	6,025,000	1,568,625	7,593,625
203562037	3,030,000	153,500	3,183,500
Totals	$ 19,355,000	$ 12,456,770	$ 31,811,770

Future debt service on the 2007 bonds is:

Fiscal Year	Principal	Interest	Total
2016	$ -	$ 338,525	$ 338,525
2017	-	338,525	338,525
2018	-	338,525	338,525
2019	-	338,525	338,525
2020		338,525	338,525
2021-2025	-	338,525	338,525
2026-2030	162,500	1,692,630	1,855,130
2031-2035	1,825,000	1,457,502	3,282,502
2036-2038	4,167,500	631,538	4,799,038
Totals	$ 6,155,000	$ 5,812,820	$ 11,967,820

5. Other Information (Continued)

F. Successor to the Community Development Agency of the City of Cloverdale (Continued)

Enforceable Obligations of the Successors (Continued)

California Infrastructure and Economic Development Bank Tax Allocation Loan

The Community Development Agency entered into a loan agreement with the Bank for an initial amount of $3,658,600 to assist in financing Cloverdale roadway improvements. The loan is secured by a pledge of incremental property tax revenues. The loan bears interest at 3.53 percent, is payable semiannually each February 1 and August 1, and matures August 31, 2031.

Future debt service on the total loan amount is:

Fiscal Year	Principal	Interest	Total
2016	$ 104,791	$ 89,510	$ 194,301
2017	108,490	85,431	193,921
2018	112,320	81,208	193,528
2019	116,284	76,836	193,120
2020	120,389	72,309	192,698
2021-2025	668,772	287,861	956,633
2026-2030	795,445	148,191	943,636
2031-2032	358,877	15,000	373,877
Totals	$ 2,385,368	$ 856,346	$ 3,241,714

Cash and Investments Held in Trust

The cash and investments of the successor agency and housing successor at June 30, 2015 consisted of $6,402,403 with $971,354 being held by a bond trustee bank. The remaining $5,828,865 consisted of demand deposits and primarily investments held by the City in the Local Agency Investment Fund of the State of California (LAIF).

Asset Transfer Pending Matters

In October of 2014, the California State Controller issued a report relating to the review of asset transfers made by the City in connection with the dissolution of the former redevelopment agency and its successor. The report took exception to certain transactions and contained a finding that there were $925,520 in unallowable transfers that must be turned over by the City to the Successor Agency.

The City's financial statements and those of the fiduciary trust contain no provisions for the repayment by the City of the $925,520 transfer referred to above. The City is in the process of determining the ultimate disposition of this matter, and it is pending approval of all required oversight and regulatory bodies.

5. Other Information (Continued)

G. Subsequent Events

1) Transfer of Excess Bond Proceeds to the City of Cloverdale

The State Department of Finance has approved a Bond Expenditure Agreement between the City of Cloverdale and the Successor Agency. The transfer of up to $6 million in excess bond proceeds will enable the City to use those funds in accordance with the original bond covenants and undertake projects and programs not previously funded or obligated by the City or the Agency. About $1.9 million of those excess bond proceeds represent housing bond proceeds that will be transferred to the City of Cloverdale as the Housing Successor and are to be used for affordable housing related programs and projects.

2) Reimbursement Liability Payable by the City of Cloverdale

The City approved a reimbursement agreement wherein the City has agreed to reimburse the Successor Agency for an unallowable transfer made to the City by the Successor Agency during the redevelopment agency dissolution process. The agreement provides that the City shall repay $925,520 to the Successor Agency. The agreement provides for a 15 year repayment term with annual payments of about $61,701 and matures January 31, 2031. On October 15, 2015, the Oversight Board approved the repayment agreement, and a copy of the agreement has been forwarded to the State Controller for review.

3) Reinstatement of a City Loan as an Enforceable Obligation of the Successor Agency

The City has received approval to reinstate as an enforceable obligation of the successor agency a $826,600 loan from the City's general Fund to the former redevelopment agency. The loan was originally disallowed as an enforceable obligation of the successor agency during the dissolution process. Because the City has now fulfilled certain requirements related to the dissolution process and has received a letter of completion, regulatory agencies have approved the reinstatement of the loan. The loan terms provide for an eight year repayment term to the extent that there will be residual monies available after all other enforceable obligations are funded through the Recognized Obligation Payments (ROPS) process.

The above transfers, liabilities and receivables have not been recognized in these fiscal June 30, 2015 financial statements pending final approvals by all regulatory parties

H. Change in Accounting Principle

The City in fiscal 2015 implemented the Governmental Accounting Standards Board Statement Number 68, Accounting and Financial Reporting for Pensions. Implementation of the accounting standard resulted in the restatement of the beginning of year net position of the City's governmental and business-type activities as follows:

	Governmental Type Activities	Business Type Activities	Total Government
Net position, June 30, 2014 as originally reported	$60,106,522	$43,126,140	$103,232,662
Change in accounting principle:			
Beginning of year net pension Liability (NPL)	(6,100,257)	(1,101,113)	(7,201,370)
Correction to airport fund liabilities	-	(37,292)	(37,292)
Net position, June 30, 2014 as restated	$54,006,265	$41,987,735	$95,994,000

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
CITY OF CLOVERDALE
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance, July 1	$ 553,732	$ 797,983	$ 797,983	$ -
Resources (inflows):				
General taxes	3,200,863	3,200,863	3,365,143	164,280
License permits	117,900	117,900	99,190	(18,710)
Intergovernmental	140,074	140,074	193,321	53,247
Charges for services	67,600	67,600	109,009	41,409
Fines and forfeitures	35,000	35,000	46,649	11,649
Interest	1,500	1,500	2,619	1,119
Miscellaneous	283,200	283,200	457,110	173,910
Transfers in	1,509,130	1,509,130	1,437,455	(71,675)
Amounts available for charges to appropriations	5,908,999	6,153,250	6,508,479	355,229
Charges to appropriations and				
General government:				
City Council	60,266	59,366	62,199	(2,833)
City manager	313,462	313,462	239,798	73,664
Clerk	77,915	77,915	62,060	15,855
Community support	28,000	28,000	28,618	(618)
Human resources	181,921	181,921	206,604	(24,683)
Risk management	140,000	140,000	148,217	(8,217)
Finance	221,303	221,303	277,540	(56,237)
General services	342,120	342,120	308,592	33,528
Public safety:				
Police administration	796,502	796,552	796,803	(251)
Police operations	1,605,075	1,605,075	1,666,834	(61,759)
Police communications records	799,182	799,182	797,281	1,901
Police auxilary services	139,671	139,671	130,381	9,290
Public works				
Facilities maintenance	54,353	54,353	103,816	(49,463)
Streets	268,027	268,027	286,068	(18,041)
Storm drain and creek maintenance	31,726	31,726	28,654	3,072
Parks and Recreation:				
Park maintenance and improvements	206,995	206,995	246,786	(39,791)
Planning:				
Planning commission	2,500	2,500	2,291	209
Current planning	34,572	34,572	28,216	6,356
Long range planning	13,795	13,795	8,000	5,795
Engineering and building services	43,029	43,029	77,079	(34,050)
Plan checking and inspection	30,830	30,830	93,610	(62,780)
Transfers out	-	-	15,748	(15,748)
Total charges to approriations	5,391,244	5,390,394	5,615,195	(224,801)
Fund Balance, June 30	$ 517,755	$ 762,856	$ 893,284	$ 130,428

CITY OF CLOVERDALE

Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2015

Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and expenditures:

Sources/inflows of resources:	
Actual amounts "available for appropriation" from budgetary comparison schedule:	$ 6,508,479
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(797,983)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,437,455)
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 4,273,041
Uses/outflows of resources:	
Total charges to appropriation" from budgetary comparison schedule:	$ 5,615,195
Differences - budget to GAAP:	
Transfers out to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,748)
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 5,599,447

Required Supplementary Information
CITY OF CLOVERDALE
Budgetary Comparison Schedule - Employee Retirement Special Revenue Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance, July 1	$ 734,119	$ 734,119	$ 734,119	$ -
Resources (inflows):				
Special pension tax	694,224	694,224	531,052	(163,172)
Interest	1,500	1,500	911	(589)
Amounts available for charges to appropriations	1,429,843	1,429,843	1,266,082	(163,761)
Charges to appropriations:				
Current:				
Transfers out	878,450	878,450	759,897	118,553
Total charges to appropriations	878,450	878,450	759,897	118,553
Fund Balance, June 30	$ 551,393	$ 551,393	$ 506,185	$ (45,208)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources:	
Actual amounts available for appropriations from budgetary data above:	$ 1,266,082
Differences-budget to GAAP:	
Beginning fund balances are financial resources for budgetary purposes, but are not considered as revenues for financial reporting purposes	(734,119)
Total revenues as reported in the statement of revenues, expenditures , and changes in fund balances	$ 531,963

Uses/outflows of resources:	
Actual amounts for charges to appropriations from budgetary data above:	$ 759,897
Differences-budget to GAAP:	
Transfers out are a use of financial resources for budgetary purposes, but are not considered as exoenditues for financial reporting purposes	(759,897)
Total revenues as reported in the statement of revenues, expenditures , and changes in fund balances	$ -

CITY OF CLOVERDALE
Required Supplemental Information
Other Post Employment Benefits (OPEB)
Schedule of Funding Progress
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded ALL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	$ -	$ 2,330,716	$ 2,330,716	0.00%	$ 3,704,566	62.91%
6/30/2012	$ -	$ 4,927,318	$ 4,927,318	0.00%	$ 3,808,698	129.37%
6/30/2014	$ -	$ 4,549,244	$ 4,549,244	0.00%	$ 2,892,353	157.29%

CITY OF CLOVERDALE
Schedule of the City of Cloverdale's Proportionate Share of the Net Pension Liability
(Last Ten Fiscal Years)
As of June 30, 2015

Miscellaneous Plan	Plan Measurement Date June 30, 2014
Plan's proportion of the net pension liability	0.04982%
Plan's proportionate share of the net pension liability	$ 3,100,203
Plan's covered employee payroll	$ 1,800,790
Plan's proportionate share of the net pension liability as a percentage of covered employee payroll	172.16%
Plan's fiduciary net position (City's proportionate share)	$ 11,207,448
Plan's fiduciary net position as a percentage of the total pension liability	78.33%
Safety Plan	
Plan's proportion of the net pension liability	0.05234%
Plan's proportionate share of the net pension liability	$ 3,257,005
Plan's covered employee payroll	$ 1,209,227
Plan's proportionate share of the net pension liability as a percentage of covered employee payroll	269.35%
Plan's fiduciary net position (City's proportionate share)	$ 10,591,411
Plan's fiduciary net position as a percentage of the total pension liability	76.48%

Notes to the schedule:

Benefit changes: There were no plan benefit changes

Changes in Assumptions: There were no changes in plan assumptions

Last Ten Years: Fiscal 2015 was the first year of implementation, therefore only one year is shown

CITY OF CLOVERDALE
Schedule of the City of Cloverdale's Employers Pension Plan Contributions
(Last Ten Fiscal Years)
As of June 30, 2015

Miscellaneous Plan	Plan Measurement Date June 30, 2014
Contractually required contribution	$ 299,125
Contribution in relation to the contractually required contribution	$ (299,125)
Contribution deficiency (excess)	$ -
City's covered employee payroll	$ 1,800,790
Contribuitions as a percentage of covered employee payroll	16.61%
Safety Plan	
Contractually required contribution	$ 395,224
Contribution in relation to the contractually required contribution	$ (395,224)
Contribution deficiency (excess)	$ -
City's covered employee payroll	$ 1,209,227
Contribuitions as a percentage of covered employee payroll	32.68%

Notes to the schedule:

Plan valuation date: June 30, 2013

Last Ten Years: Fiscal 2015 was the first year of implementation, therefore only one year is shown

OPTIONAL SUPPLEMENTARY INFORMATION

NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS

CITY OF CLOVERDALE
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue							
	Gas Tax	Measure M	Safe Routes to School	Surface Transportation	Transportation Development	Lighting and Landscaping Assessment	Inclusionary Housing	Clover Springs
Assets								
Cash and investments	$ 17,230	$ 148,927	$ -	$ 17,467	$ 13,309	$ 104,427	$ 726,036	$ 244,613
Receivables:								
Assessments	-	-	-	-	-	5,525		
Intergovernmental	-	15,983	-	-	-	-	-	-
Interest	-	-	-	-	-	52	287	99
Prepayments	-	-	-	-	-	1,589	1,037	-
Total assets	$ 17,230	$ 164,910	$ -	$ 17,467	$ 13,309	$ 111,593	$ 727,360	$ 244,712
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ -	$ -	$ -	$ 17,441	$ -	$ 8,876	$ 46	$ 18,063
Accrued liabilities	-	-	-	-	-	21,348	14,228	-
Due to other funds	-	-	950	-	-	-	-	-
Total liabilities	-	-	950	17,441	-	30,224	14,274	18,063
Fund balances:								
Nonspendable	-	-	-	-	-	1,589	1,037	-
Restricted for:								
Affordable housing	-	-	-	-	-	-	712,049	-
Streets, landscaping and lighting	17,230	164,910	(950)	26	13,309	79,780	-	-
Thoroughfares	-	-	-	-	-	-	-	-
Storm drains	-	-	-	-	-	-	-	-
Animal control	-	-	-	-	-	-	-	-
Police facilities	-	-	-	-	-	-	-	-
Civic center facilities	-	-	-	-	-	-	-	-
Corporation yard facilities	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	226,649
Parkland and facilities	-	-	-	-	-	-	-	-
Total fund balances	17,230	164,910	(950)	26	13,309	81,369	713,086	226,649
Total liabilities and fund balances	$ 17,230	$ 164,910	$ -	$ 17,467	$ 13,309	$ 111,593	$ 727,360	$ 244,712

CITY OF CLOVERDALE
Combining Blance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue					Capital Projects				
	Pets	Asset Forfeiture	COPS	Cemetery	CDBG	Parks, Storm Drain and Admin Impact Fees	Public Facilities Impact Fees	Thoroughfare Impact Fees	Quimby Act Impact Fees	Total Nonmajor Governmental Funds
Assets										
Cash and investments	$ 3,900	$ 166,853	$ -	$ -	$ -	$ 62,769	$1,033,006	$ 307,349	$206,871	$ 3,052,757
Receivables:										
Assessments	-	-			-	-	-	-	-	5,525
Intergovernmental	-	-	-	-	20,563	-	-	-	-	36,546
Interest	2	65	-	-	-	25	404	120	81	1,135
Prepayments	-	-	-	-	-	-	-	-	-	2,626
Total assets	$ 3,902	$ 166,918	$ -	$ -	$ 20,563	$ 62,794	$1,033,410	$ 307,469	$206,952	$ 3,098,589
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	$ 35	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,461
Accrued liabilities	-	129,596	-	-	-	-	-	-	-	165,172
Due to other funds	-	-	-	-	20,563	-	-	-	-	21,513
Total liabilities	35	129,596	-	-	20,563	-	-	-	-	231,146
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	2,626
Restricted for:										
Affordable housing	-	-	-	-	-	-	-	-	-	712,049
Streets, landscaping and lighting	-	-	-	-	-	-	-	-	-	274,305
Thoroughfares	-	-	-	-	-	-	-	307,469	-	307,469
Storm drains	-	-	-	-	-	62,794	-	-	-	62,794
Animal control	3,867	-	-	-	-	-	-	-	-	3,867
Police facilities	-	37,322	-	-	-	-	457,338	-	-	494,660
Civic center facilities	-	-	-	-	-	-	107,742	-	-	107,742
Corporation yard facilities	-	-	-	-	-	-	468,330	-	-	468,330
Parks and recreation	-	-	-	-	-	-	-	-	-	226,649
Parkland and facilities	-	-	-	-	-	-	-	-	206,952	206,952
Total fund balances	3,867	37,322	-	-	-	62,794	1,033,410	307,469	206,952	2,867,443
Total liabilities and fund balances	$ 3,902	$ 166,918	$ -	$ -	$ 20,563	$ 62,794	$1,033,410	$ 307,469	$206,952	$ 3,098,589

CITY OF CLOVERDALE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For The Fiscal Year Ended June 30, 2015

	Special Revenue							
	Gas Tax	Measure M	Safe Route to Schools	Surface Transportation	Transportation Development	Lighting and Landscaping Assessment	Inlcusionary Housing	Clover Springs
Revenues:								
Sales taxes	$ -	$ 66,435	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	252,226	-	4,050	-	-	-	-	-
Special assessments	-	-	-	-	-	164,255	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	153	1,189	393
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	252,226	66,435	4,050	-	-	164,408	1,189	393
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	-
Landscaping and lighting	-	-	-	-	-	184,908	-	30,227
Capital outlay	-	-	70,214	-				
Inclusionary housing	-	-	-	-	-	-	124,700	-
Total expenditures	-	-	70,214	-	-	184,908	124,700	30,227
Excess (deficiency) of revenues over expenditures	252,226	66,435	(66,164)	-	-	(20,500)	(123,511)	(29,834)
Other financing uses:								
Transfers in	-	14,675	65,214	-	-	15,982	11,380	-
Transfers out	(300,465)	(79,209)	-	-	-	(4,207)	(978)	-
Total other financing sources (uses)	(300,465)	(64,534)	65,214	-	-	11,775	10,402	-
Net change in fund balances	(48,239)	1,901	(950)	-	-	(8,725)	(113,109)	(29,834)
Fund balances, July 1	65,469	163,009	-	26	13,309	90,094	826,195	256,483
Fund balances, June 30	$ 17,230	$ 164,910	$ (950)	$ 26	$ 13,309	$ 81,369	$ 713,086	$ 226,649

CITY OF CLOVERDALE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For The Fiscal Year Ended June 30, 2015

	Special Revenue					Capital Projects				
	Pets	Asset Forfeiture	COPS	Cemetery	CDBG	Parks,Storm Drain and Admin Impact Fees	Public Facilities Impact Fees	Thoroughfare Impact Fees	Quimby Act Impact Fees	Total Nonmajor Governmental Funds
Revenues:										
Sales taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 66,435
Intergovernmental	-	-	-	-	61,983	-	-	-	-	318,259
Special assessments	-	-	-	-	-	-	-	-	-	164,255
Charges for services	-	-	-	-	-	-	-	-	-	-
Interest	6	191	-	-	-	97	1,587	1,572	318	5,506
Miscellaneous	47	40,870	-	25,300	-	-	-	-	-	66,217
Total revenues	53	41,061	-	25,300	61,983	97	1,587	1,572	318	620,672
Expenditures:										
Current:										
Public safety	185	3,743								3,928
Landscaping and lighting	-	-	-	-	-	-	-	-	-	215,135
Capital outlay				26,374	52,979					149,567
Inclusionary housing	-	-	-	-	-	-	-	-	-	124,700
Total expenditures	185	3,743	-	26,374	52,979	-	-	-	-	493,330
Excess (deficiency) of revenues over expenditures	(132)	37,318	-	(1,074)	9,004	97	1,587	1,572	318	127,342
Other financing uses:										
Transfers in	-	-	-	1,074	-	-	-	-	-	108,325
Transfers out	-	-	-	-	-	-	-		-	(384,859)
Total other financing sources (uses)	-	-	-	1,074	-	-	-	-	-	(276,534)
Net change in fund balances	(132)	37,318	-	-	9,004	97	1,587	1,572	318	(149,192)
Fund balances, July 1	3,999	4	-	-	(9,004)	62,697	1,031,823	305,897	206,634	3,016,635
Fund balances, June 30	$ 3,867	$ 37,322	$ -	$ -	$ -	$ 62,794	$ 1,033,410	$ 307,469	$ 206,952	$ 2,867,443