



**CITY OF ORINDA**

**ANNUAL FINANCIAL STATEMENT REPORT**

**YEAR ENDED JUNE 30, 2011**

**(With Auditors' Report Thereon)**

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# Management's Discussion and Analysis

## INTRODUCTION

As management of the City of Orinda (the City), we offer readers this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2011. The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures in this report, are the responsibility of the City. The report has been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Readers are encouraged to consider the information presented here in conjunction with additional information, which can be found in the City's financial statement, which follow this discussion. The management's discussion and analysis is designed to:

1. assist the reader in focusing on significant financial issues;
2. provide an overview of the City's financial activity and any changes in financial position;
3. explain any material deviations from the financial plan (approved budget); and
4. identify any issues or concerns and the City's ability to address future challenges.

## FINANCIAL HIGHLIGHTS

The City of Orinda has limited revenue sources which could make it vulnerable to the effects of an economic downturn. However, due to its desirable location and relatively stable real estate market, property tax revenue has not suffered the significant declines faced by many of the cities in Contra Costa County. Historically, the City has enjoyed a rate of growth in assessed property valuations of over 5%. In the last two years however, the City has experienced a rate of growth of less than 1%. In addition, the City's sales tax revenue and investment revenue has declined due to the economy.

The City has reduced operating expenses by 2.0% in response to reductions in revenue. The City funds its Capital Improvement Program on a pay-as-you-go basis including maximizing grant funding when available. The City has a significant unfunded road and storm drain improvement deficit which is an on-going challenge and will be discussed in more detail later in this analysis.

To aid the reader in assessing the financial health of the City, the following are some key highlights of note:

1. The City's total assets exceeded its liabilities by \$51,680,496 (net assets) for Fiscal Year 2010/11. This compares to assets exceeding liabilities by \$51,989,971 in Fiscal Year 2009/10, a decrease of \$309,475.

Total net assets are comprised of the following:

- a. Investment in capital assets, net of related debt of \$36,224,685 includes parklands, buildings, furniture and equipment and infrastructure, all net of accumulated depreciation and debt.

- b. Net assets of \$8,272,649 are restricted by constraints imposed from outside the City, including grantors, lenders, laws or regulations, consisting primarily of the Senior Affordable Housing commitment (\$2.50 million), Art and Garden Center Fund (\$1.62 million), Park Dedication Fees (\$1.00 million), Measure J (\$0.76 million), Transportation Impact Fees (\$0.71 million) and other Special Revenue Funds (\$1.68 million).
  - c. Unrestricted net assets of \$7,183,762 for all funds represent the portion available to maintain the City's continuing obligations to citizens and creditors.
3. At the end of FY 2010/11, the unassigned fund balance for the General Fund was \$6,110,161 (which is included in the unrestricted net assets reported above). The General Fund operating results for the fiscal year was a surplus of \$406,197. The amended budget for the fiscal year estimated a year-end deficit of \$8,915. Revenue was less than budget by \$119,895, the largest decrease being rent and interest revenue of \$200,281, which was partially offset by a realized gain on sale of investments of \$150,305. City staff held expenditures below budget in all departments resulting in a favorable variance of \$535,007 with the largest decreases being in the Public Works and Planning departments primarily due to salary savings as a result of billing staff time to developer projects and capital improvement projects

The General Fund's unrestricted reserve including the current year surplus funded: 1) a transfer of \$337,674 to the Capital Projects Fund for the Glorietta Drain project, 2) a transfer of \$243,020 to the Insurance Internal Service Fund for future capital improvement projects and 3) transfers to other Internal Service Funds to fund future replacement and repair costs to computer systems, vehicles, equipment and buildings.

## **THE CITY AS A WHOLE**

The *Statement of Net Assets* and the *Statement of Activities* report information about the City as a whole. These statements include all assets and liabilities using the accrual basis of accounting. Under this method, all current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

Looking at the City's net assets (the difference between assets and liabilities) is a measurement of the City's financial health. Over time, increases or decreases in the City's net assets are an indication of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the City's property tax base or the condition of the City's roads must also be considered.

The *Statement of Net Assets* and the *Statement of Activities* present consolidated financial information on the City's primary activities. These include Police, Capital Improvements, Parks and Recreation (including facility operations), Planning, Public Works and Engineering Services and City Management (City Manager, City Clerk, City Attorney and Administrative Services). For funding activities and services, some departments generate function-specific fee revenue. Interest and lease revenues, sales taxes, franchise fees, motor vehicle license fees and property taxes, including property transfer taxes, are used to fund the balance.

## STATEMENT OF NET ASSETS

The following table provides a summary of the City's net assets for all funds at June 30, 2011 compared to June 30, 2010. The City's net assets have slowly grown until the current year, indicating that replacement of assets has kept up with depreciation. The current year is the first year the City's net assets have decreased (\$309,477).

### Summary of Net Assets Fiscal Years 2010/11 and 2009/10 Primary Government Activities

	<b>2010/11</b>	<b>2009/10</b>	<b>% Increase (Decrease)</b>
Current and other assets	\$15,043,394	\$14,767,407	1.9%
Restricted assets	2,501,146	2,506,592	(0.2%)
Capital assets	44,978,901	45,292,019	(0.7%)
Total assets:	\$62,523,441	\$62,566,018	(0.1%)
Current liabilities	\$ 1,481,054	\$ 1,000,421	48.0%
Long-term liabilities	9,361,891	9,575,626	(2.2%)
Total liabilities:	\$10,842,945	\$10,576,047	2.5%
<u>Net assets</u>			
Invested in capital assets, net of related debt	\$36,224,685	\$36,332,102	(0.3%)
Restricted	8,272,649	7,078,973	16.9%
Unrestricted	7,183,162	8,578,896	(16.3%)
Total net assets	51,680,496	51,989,971	(0.6%)
Ending net assets and liabilities	\$62,523,441	\$62,566,018	(0.1%)

## STATEMENT OF ACTIVITIES

In the *Statement of Activities* (page 3), both expenses and revenue are reported for each particular program, which includes all funds. This format shows how much of each program is funded through fees, grants and taxes and highlights the relative financial burden of each program on general revenues. The following table provides a summary of the City's Statement of Activities for fiscal years 2010/11 and 2009/10 with the variance percentage between the two years.

### Summary of Net Assets: Primary Government Activities Fiscal Years 2010/11 and 2009/10

	<u>2010/11</u>	<u>2009/10</u>	<u>% Increase (Decrease)</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$3,924,326	\$3,562,388	10.2%
Operating grants and Contributions	(46,828)	109,775	(142.7%)
Capital Grants and Contributions	1,544,789	1,034,853	49.3%
General revenues:			
Sales Tax	924,853	957,283	(3.4%)
Franchise and Transfer Fees	1,185,146	982,984	20.6%
Property Tax	4,927,078	4,975,526	(1.0%)
Vehicle Licensing Fees (VLF)	81,738	52,328	56.2%
Rent and Interest	122,585	347,235	(64.7%)
Realized gain (loss) on investments	150,305	25,775	483.1%
Other	48,482	62,324	(22.2%)
Total Revenues	<u>12,862,474</u>	<u>12,110,471</u>	6.2%
<b>Expenditures:</b>			
City Manager	466,669	508,559	(8.2%)
City Attorney	313,517	414,747	(24.4%)
City Clerk	197,798	201,848	(2.0%)
Administrative Services	876,333	717,253	22.2%
Police	3,854,659	3,730,607	3.3%
Public Works and Engineering Services	1,058,417	1,096,480	(3.5%)
Parks and Recreation	2,201,331	2,245,094	(1.9%)
Planning	843,422	983,540	(14.2%)
Special districts	351,502	349,484	0.6%
Interest on long-term debt	405,185	412,535	(1.8%)
Capital improvements	2,410,038	2,103,023	14.6%
Total Expenditures	<u>12,978,871</u>	<u>12,763,170</u>	1.7%
Change in net assets	(116,397)	(652,699)	(82.3%)
Unrealized gain/(loss) on investments	(193,078)	166,986	(215.6%)
Beginning net assets	<u>51,989,971</u>	<u>52,475,684</u>	(0.9%)
Ending net assets	<u>\$51,680,496</u>	<u>\$51,989,971</u>	(0.6%)

Overall, total revenue increased 6.2% in comparison to the prior year. The most significant changes in revenue are: 1) Charges for Services increased due primarily to Parks and Recreation increased enrollment fees for programs and increased Planning and Building Inspection Fees due to one-time forfeitures of Waste Management deposits and a slight increase in project reviews and building permits. This increase in planning fees is not expected to continue as there is decreased workload expected in FY 2012/13 due to projects nearing completion; 2) Capital grants and contributions increased due to a local grant for the second phase of Moraga Way improvements; and 3) Rent and Interest revenue decreased as a result of the reduction in interest income due to the sale of high interest rate instruments to comply with the City's revised investment policy and lower rates on the replacement investments due to the current economy.

The most significant dollar increases in expenditures from the prior year are: 1) Police costs increased compared to the prior year due primarily to increased benefit costs in the contract with Contra Costa Sheriff's Department; 2) Capital improvement costs increased due to the completion of the second phase of the Moraga Way improvement and pavement rehabilitation project; and 3) the reallocation of vacated space in the Planning Department from Planning to Administrative Services, resulting in an increase of expenditures in Administrative Services offset by a corresponding decrease in Planning expenditures. The Lighting and Landscaping Assessment District is self-funded with the exception of Zone M-11 which does not have an annual adjustment factor, which requires the General Fund and the Stormwater Utility Assessment District to subsidize the difference.

GASB requires municipalities to state their investment portfolio at market value and to report the amount that would be gained or lost (\$193,078 loss in Fiscal Year 2010/11) if the investments were to be sold on the last day of the fiscal year. The City's policy, however, is to keep all investments until their maturity date, so the gain or loss should not be realized.

## **FINANCIAL ANALYSIS OF COMBINED FUNDS**

### **Governmental Funds**

The current fiscal year, FY 2010/11, is the year governmental entities are required to implement the provisions of GASBS No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves financial reporting by providing fund balance categories and classifications that are more easily understood. The fund balance classification approach in this statement will require governments to classify amounts consistently, regardless of fund type in which they are presented. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated.

The unassigned fund equity balances serve as a useful measure of the available resources when analyzing the City's governmental funds. "Assigned" funds are set aside by City Management for anticipated purposes. "Committed" funds are those set aside by Council action for specific purposes. The Council may, at any time, change the commitment of the funds if it so chooses. "Restricted" funds, on the other hand, are so categorized because authority to reassign the funds to other uses does not lie with the Council.

As of the fiscal year ended June 30, 2011, the City's governmental fund types (see pages 4 and 5) included combined ending fund balances of \$13,759,127 (\$14,121,705 in FY 2009/10). Of this balance, \$6,689,749 (\$7,078,973 in FY 2009/10) of these funds are "restricted", which means that they have been conditionally committed to specific programs by their sources. The remaining fund balance, \$7,069,378 (\$6,513,184 in FY 2009/10) includes \$825,137 "committed" reserve and \$134,080 "assigned" reserve. The remaining balance of \$6,110,161 is unassigned and may be committed at the discretion of the City Council or assigned by Management for specific use.

### **Capital Assets**

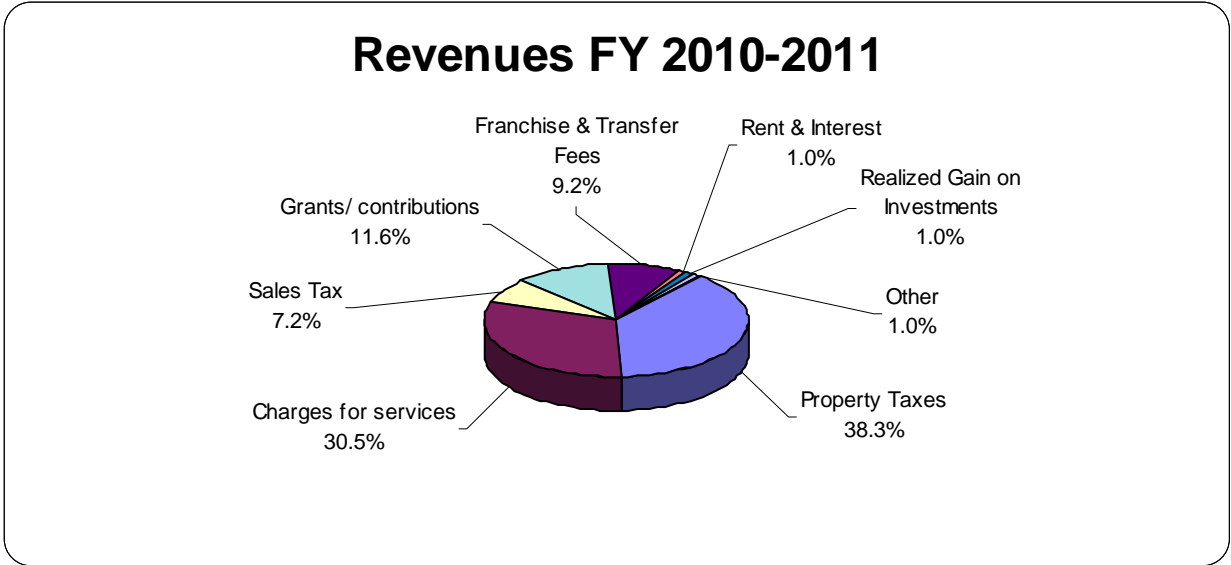
The City's investment in capital assets as of June 30, 2011, totaled \$44,978,901 (\$45,292,019 in FY 2009/10), net of accumulated depreciation of \$56,394,527 (\$53,699,763 in FY 2009/10). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and bridges. The fixed assets summary can be found on page 28 of the financial statement.

Major capital asset additions during FY 2010/11 included:

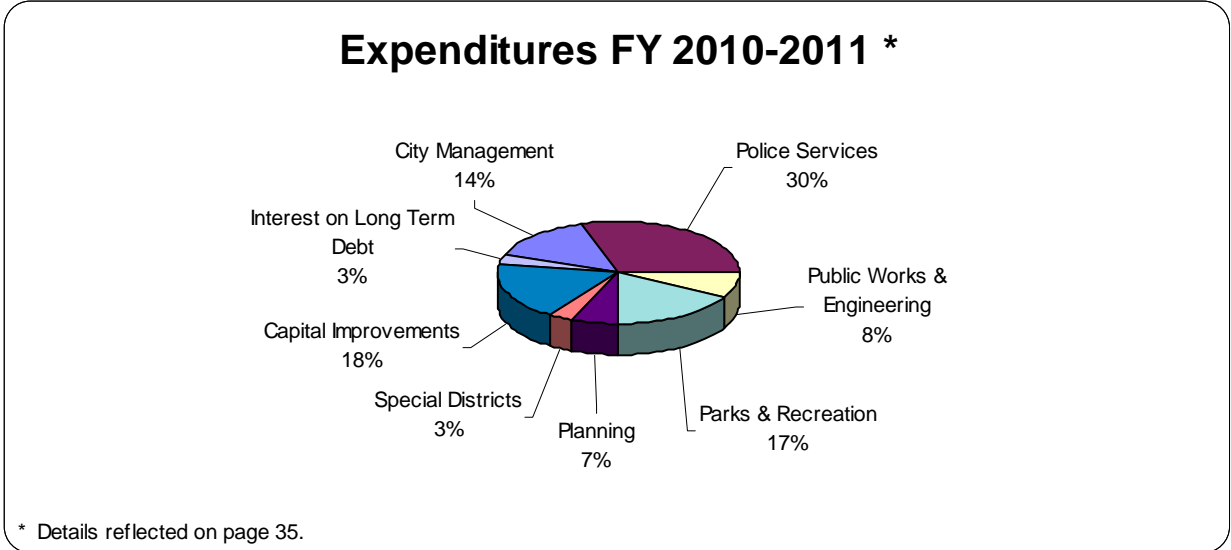
- Annual Pavement Management projects \$388,062;
- Annual Drainage Facilities Improvement projects \$323,843; and
- La Espiral Slope Stabilization project \$211,646.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for FY 2010/11.

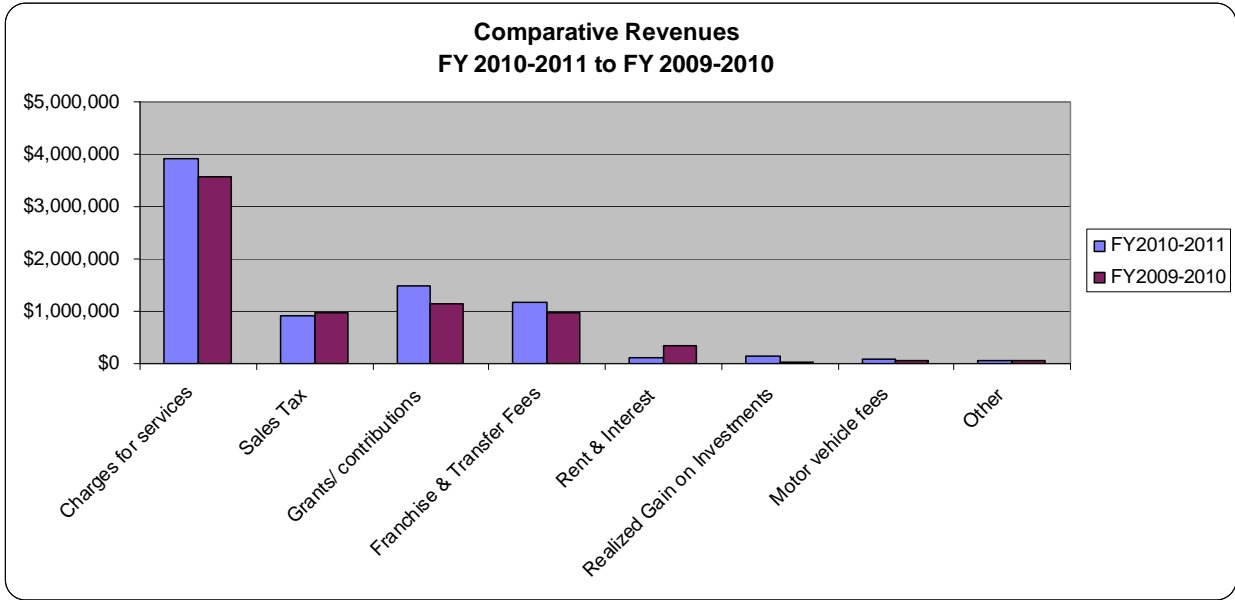
### CITYWIDE GOVERNMENTAL REVENUES



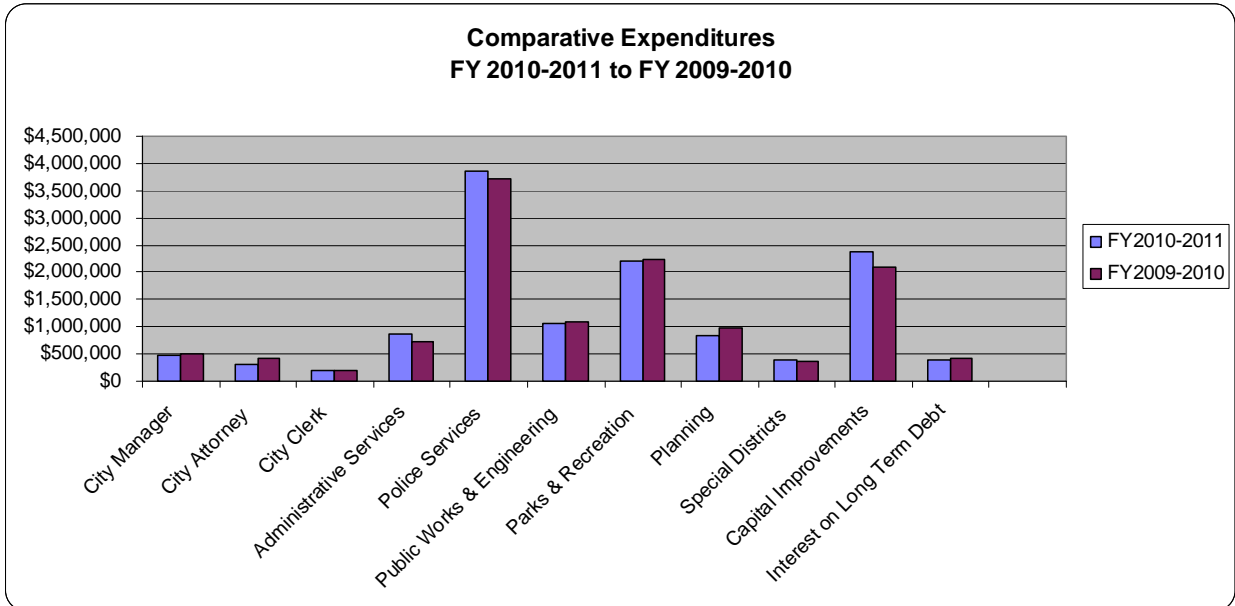
### CITYWIDE GOVERNMENTAL FUNCTIONAL EXPENDITURES



## CITYWIDE COMPARATIVE REVENUES



## CITYWIDE COMPARATIVE EXPENDITURES



## SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help control and manage money for particular purposes (e.g. Capital Project Funds) or to meet the legal responsibilities for using certain taxes and federal or state grants.

1. *Governmental funds:* The governmental fund statements on pages 4 through 7 provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine what financial resources are available in the near future to finance the City's programs. The relationship between the *Statement of Net Assets* and the *Statement of Activities* and governmental funds statement is reconciled on the far right of pages 5 and 7.
2. *Internal Service funds:* These funds make up the internal services part of primary governmental activities. Summary financial detail is provided on pages 8 through 10, as well as additional, more detailed information on page 44 and 45.

In order to even out demands on the General Fund from year to year, the City has chosen to use internal service funds to record purchases and related depreciation if applicable. The following are the current funds being used:

- a. *Information Systems:* On a planned basis, capital outlays are required to keep the City current with industry technology. The City operates five servers and approximately forty desktops. The unrestricted fund balance for the fund at 2010/11 year-end was \$133,876 (\$66,428 in FY 2009/10).
- b. *Building Maintenance:* Major capital outlays for projects such as re-roofing or equipment replacement are required on a planned basis. A small amount is added to the fund each year to keep the balance adequate for unanticipated needs. The unrestricted fund balance at FY 2010/11 year-end was \$120,850 (\$107,591 in FY 2009/10).
- c. *Vehicle Replacement:* The Police, Public Works and Engineering, Parks and Recreation and Planning departments operate a number of vehicles to provide services to the residents of Orinda. Vehicles have varied life spans, depending on their use, and require replacement based on the specified useful life. Individual departments contribute to the fund annually based on estimated vehicle replacement costs. The fund's unrestricted fund balance at FY 2010/11 year-end was \$164,670 (\$255,404 in FY 2009/10).
- d. *Insurance:* This fund was established to mitigate the effect of unfunded claims and litigation losses that would otherwise be paid from the General Fund, with \$500,000 as the desired fund reserve to be maintained. The Municipal Pooling Authority, a Joint Powers Authority that provides insurance for City operations (Police Services covered by Contra Costa County), does not cover all aspects this risk and settlements can potentially be high per occurrence. Approximately one percent (1%) of each department's budget is set aside, beginning FY 2009/10, to maintain the fund. The total fund balance at FY 2010/11 year-end was \$757,763 (\$578,846 in FY 2009/10).

- e. Slope Emergency Stabilization Fund: Orinda has within its boundaries many unstable slopes, any of which can unexpectedly give way through erosion and other earth-moving events. Due to the uncertainty of any given slope showing indications of failing, accurate annual budgeting in the General Fund for such occurrences is not possible. The Slope Emergency Stabilization fund exists to mitigate the effect of unpredictable demands on funds to stabilize failing slopes. The fund balance at FY 2010/11 year-end was \$221,532 (\$220,039 in FY 2009/10).
  - f. General Plan Update Fund: The City's General Plan was adopted on May 20, 1987, and has not been comprehensively updated since that time. The State requires a comprehensive review every 10 years. The cost of a comprehensive update will correlate with: 1) the number of elements that require updates and 2) the degree to which there is community consensus regarding existing General Plan land use designations and policies. The General Plan Update fund balance at FY 2010/11 year-end was \$297,993 (\$307,856 in FY 2009/10).
3. *Fiduciary Funds:* The City is the trustee, or fiduciary, for the bond funds for the Oaksprings Reassessment District 2003-1, and for performance bonds associated with development applications. All of the City's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* on page 11. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

## **FINANCIAL ANALYSIS OF GENERAL FUND**

### **Fund Balance**

The General Fund is the primary operating fund of the City. As of June 30, 2011, the fund balance was \$9,000,341 (\$9,324,730 in FY 2009/10), a decrease of \$324,389 (increase of \$287,805 in FY 2009/10) compared to the prior year. Of the fund balance, \$6,110,161 (\$6,472,446 in FY 2009/10) is unassigned. The City has a General Fund reserve policy which requires an unassigned reserve minimum balance of \$5,000,000.

### **Expenses**

As a policy, the City has endeavored to keep its operating expenses low and the number of employees at a minimum. The major expenses for the City organization are: 1) Police (\$3,665,621, 39.0%) – contracted through the County; 2) Parks and Recreation, including facilities maintenance (\$2,081,022, 22.1%) and 3) Public Works and Engineering (\$1,058,168, 11.3%).

## STRENGTHS AND RISKS

Over the years, the City has strived to improve the condition of its roads system by repairing streets most traveled (ie. arterials and collectors). In order to maintain this investment, the City's General Fund (through the solid waste franchise fees) has contributed approximately \$350,000 each year to the Pavement Management Program (PMP) and has obtained Federal and State grants when available. This effort has brought the arterials to a Pavement Condition Index (PCI) of 77, which reflects they are in "good" condition. The collectors have a current PCI of 62, which reflects they are in "fair" condition. It is estimated that if the City continues with the existing level of funding for road improvement and renovation, all of the arterials and collectors should be in "good" condition within 5 years.

However, the City knows that the capital improvement program is greatly under-funded and the condition of residential roads and drains are deteriorating faster than resources allow the City to repair and replace them. The residential roads have a current PCI of 37, which indicates they are in "poor" condition. Even if the City dedicated all of the General Fund revenues over expenses to the repair and replacement of roads and drains, the deterioration would continue to outstrip the repair and replacement efforts. Without an additional source of revenue, many of the City's residential streets and drains may never be repaired. The shortfall is currently estimated to be approximately \$60 million including repairing or replacing drainage at the same time. This level of funding will bring all of the City's streets to a PCI of 70 or "good" condition.

The City Council created a Council Roads Subcommittee in May 2011 to serve as a preliminary fact finding group working with the City's Citizens Infrastructure Oversight Commission (CIOC), the Finance Advisory Committee (FAC) and members of the public to gather options, develop facts and bring issues back to the Council for discussion and direction. The Roads Subcommittee working with staff, the CIOC, FAC and the public, gathered information and community feedback related to roads expenditure history over 10 years, identified revenue options, developed a working timeline, communications plan and recommended alternatives. In 2012, the Council will decide whether to take a ballot measure to the residents for approval of a funding method for road and drainage improvements.

### Funding

Opportunities for increasing revenue for the repair of roads and drainage absent voter approval are limited. While the City may increase its fees for service to more closely match the expenses, most tax measures must be approved by a 2/3 vote of the electorate.

1. *Property Tax and Assessments:* Property tax assessments are the largest revenue source for the City. Currently, the City receives approximately 7% of the property taxes paid by its residents.
2. *Sales Tax:* Sales tax is also an important revenue source of the City. Sales tax revenue decreased approximately 3% during the year. However, because Orinda has a relatively small retail base, the impact of fluctuations in sales tax, both positive and negative, is less severe than in other cities that rely more heavily on big box, mall or auto retailers for their sales tax revenue.

### Budget

A budget analysis of the General Fund, including original budget, amended budget, actual, and variance from amended budget is presented on page 35.

Direct revenues of \$9,996,926, not including accrual of unrealized gains/losses on investments, had a favorable variance of 1.5% (4.4% unfavorable in FY 2009/10) and direct expenses of \$9,397,651 favorably varied by 8.7% (4.3% in FY 2009/10) from the amended operating budget (see page 35).

### **Economic Factors and Next Year's Budget**

Local governments throughout the State of California must find new ways to survive economically in order to meet their obligation of serving their communities. The economy at both national and state and local levels continues to recover very slowly. The City maintains a conservative approach to budgeting revenues and expenditures. Management takes an active role in monitoring the application of the budget during the fiscal year to apply any necessary change to projected revenues as well as appropriated expenditures.

Acknowledging the predicted slow economic recovery nationwide and statewide in the years ahead, the City Council adopted a biennial budget for Fiscal Years 2011/12 and 2012/13. The adjusted biennial budget for Fiscal Year 2011/12 is comprised of the General Fund revenue of \$9.89 million and other governmental funds revenue of \$0.73 million, which is relatively flat compared to FY 2010/11.

The Fiscal Year 2012/13 Adopted General Fund budget increased \$231,161, in comparison to the Fiscal Year 2011/12 adopted budget. The assessed property valuations for Fiscal Year 2011/12 have decreased approximately 3.0% and the State has taken the Motor Vehicle License Fees from cities as a revenue source. These actions subsequent to the adoption of the Biennial Budget require the City Council and staff to revisit and balance both years. Fiscal Year 2011/12 will be rebalanced at the Mid-Year budget review in January 2012 and Fiscal Year 2012/13 will be reviewed and balanced in June 2012.

### **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for addition financial information should be directed to:

City of Orinda  
Finance Department  
22 Orinda Way  
Orinda, CA 94563



*office location*  
2700 Ygnacio Valley Rd, Ste 230  
Walnut Creek, CA 94598  
  
(925) 932-3860 tel

*mailing address*  
2977 Ygnacio Valley Rd, PMB 460  
Walnut Creek, CA 94598  
  
(925) 476-9930 efax

[www.cropperaccountancy.com](http://www.cropperaccountancy.com)

## INDEPENDENT AUDITORS' REPORT

To the City Council  
Orinda, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Orinda, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Orinda's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Orinda, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages *i* through *xii* and page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orinda's basic financial statements. The combining and fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Cropper Accountancy Corporation*  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California  
December 7, 2011

## **Basic Financial Statements**

CITY OF ORINDA  
Statement of Net Assets  
June 30, 2011

Statement 1

<u>ASSETS</u>	<u>Primary Government Governmental Activities</u>
Cash and cash equivalents	\$ 13,272,307
Investments	-
Accounts receivable	1,415,963
Accrued interest receivable	28,485
COP prepaid issuance costs	225,784
Prepaid items and deposits	100,855
Total current assets	<u>15,043,394</u>
 Restricted Assets	
Cash deposits	185,040
Cash with fiscal agent	1,146
Investments	2,314,960
Total restricted assets	<u>2,501,146</u>
 Capital assets, net of accumulated depreciation	
Park land and improvements	1,295,205
Buildings, grounds and improvements	22,284,275
Furniture and equipment	559,470
Infrastructure	17,199,655
Work in progress	3,640,296
Total capital assets, net	<u>44,978,901</u>
Total assets	<u>\$ 62,523,441</u>
 <u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 1,267,543
Deferred revenue	210,336
Planning and engineering deposits	3,175
Total current liabilities	<u>1,481,054</u>
 Noncurrent liabilities:	
COP payable	8,980,000
Accrued compensated absences	381,891
Total noncurrent liabilities	<u>9,361,891</u>
Total liabilities	<u>10,842,945</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	36,224,685
Restricted	8,272,649
Unrestricted	7,183,162
Total net assets	<u>51,680,496</u>
Total liabilities and net assets	<u>\$ 62,523,441</u>

The accompanying notes are an integral part of these financial statements.

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
<i>Governmental Activities:</i>					
City management	\$ 466,669	\$ -	\$ -	\$ -	(466,669)
City attorney	313,517	-	-	-	(313,517)
City clerk	197,798	-	-	-	(197,798)
Administrative services	867,034	43,591	-	-	(823,443)
Police services	3,854,659	225,056	113,449	-	(3,516,154)
Public works and engineering	1,058,417	494,871	-	-	(563,546)
Parks and recreation	2,201,331	1,589,641	-	-	(611,690)
Planning	843,422	548,819	-	-	(294,603)
Lighting and landscaping district	72,144	52,386	-	-	(19,758)
Library operations	279,358	306,384	-	-	27,026
Capital improvements	614,837	-	-	-	(614,837)
Transportation infrastr. improvements	1,690,587	663,578	-	1,384,512	357,503
Drainage improvements	104,614	-	-	-	(104,614)
Interest on bonds payable	405,185	-	-	-	(405,185)
Principal payments on bonds	-	-	-	-	-
Other	9,299	-	-	-	(9,299)
Total primary government	<u>\$ 12,978,871</u>	<u>\$ 3,924,326</u>	<u>\$ 113,449</u>	<u>\$ 1,384,512</u>	<u>(7,556,584)</u>
General revenues:					
					4,927,078
					924,853
					1,052,335
					132,811
					81,738
					122,585
					150,305
					(193,078)
					48,482
					7,247,109
					(309,475)
					51,989,971
					<u>\$ 51,680,496</u>

The accompanying notes are an integral part of these financial statements.

	<b>Governmental Fund Types</b>		
	General Fund	Non-major Governmental Funds	Capital Projects Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,385,953	\$ 4,741,014	\$ 396,286
Accounts receivable	558,483	727,410	130,070
Accrued interest receivable	22,004	4,809	-
Prepaid items and deposits	98,595	2,260	-
Total unrestricted assets	<u>7,065,035</u>	<u>5,475,493</u>	<u>526,356</u>
Restricted assets:			
Cash deposits	185,040	-	1,146
Investments	2,314,960	-	-
Total restricted assets	<u>2,500,000</u>	<u>-</u>	<u>1,146</u>
 Total assets	 <u>\$ 9,565,035</u>	 <u>\$ 5,475,493</u>	 <u>\$ 527,502</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable and accrued liabilities	\$ 605,830	\$ 554,683	\$ 52,988
Accrued administrative leave	381,891	-	-
Deferred revenue	197,471	-	12,865
Due to other funds	(623,673)	292,346	331,327
Planning and engineering deposits	3,175	-	-
Total liabilities	<u>564,694</u>	<u>847,029</u>	<u>397,180</u>
Fund balances			
Restricted	2,500,000	4,020,822	168,927
Committed	217,495	607,642	-
Assigned	172,685	-	(38,605)
Unassigned*	6,110,161	-	-
Total fund equity and other credits	<u>9,000,341</u>	<u>4,628,464</u>	<u>130,322</u>
 Total liabilities, fund equity and other credits	 <u>\$ 9,565,035</u>	 <u>\$ 5,475,493</u>	 <u>\$ 527,502</u>

\* - Includes \$5,000,000 minimum reserve as required by City policy

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Balance Sheet  
Governmental Funds  
June 30, 2011

Total																																																																																
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">\$</td><td style="width: 15%;">11,523,253</td><td></td></tr> <tr><td></td><td>1,415,963</td><td></td></tr> <tr><td></td><td>26,813</td><td></td></tr> <tr><td></td><td><u>100,855</u></td><td></td></tr> <tr><td></td><td><u>13,066,884</u></td><td></td></tr> <tr><td colspan="3"> </td></tr> <tr><td></td><td>186,186</td><td></td></tr> <tr><td></td><td><u>2,314,960</u></td><td></td></tr> <tr><td></td><td><u>2,501,146</u></td><td></td></tr> <tr><td colspan="3"> </td></tr> <tr><td>\$</td><td><u>15,568,030</u></td><td></td></tr> <tr><td colspan="3"> </td></tr> <tr><td>\$</td><td>1,213,501</td><td></td></tr> <tr><td></td><td>381,891</td><td></td></tr> <tr><td></td><td>210,336</td><td></td></tr> <tr><td></td><td>-</td><td></td></tr> <tr><td></td><td><u>3,175</u></td><td></td></tr> <tr><td></td><td><u>1,808,903</u></td><td></td></tr> <tr><td colspan="3"> </td></tr> <tr><td></td><td>6,689,749</td><td></td></tr> <tr><td></td><td>825,137</td><td></td></tr> <tr><td></td><td>134,080</td><td></td></tr> <tr><td></td><td><u>6,110,161</u></td><td></td></tr> <tr><td></td><td><u>13,759,127</u></td><td></td></tr> <tr><td colspan="3"> </td></tr> <tr><td>\$</td><td><u>15,568,030</u></td><td></td></tr> </table>	\$	11,523,253			1,415,963			26,813			<u>100,855</u>			<u>13,066,884</u>						186,186			<u>2,314,960</u>			<u>2,501,146</u>					\$	<u>15,568,030</u>					\$	1,213,501			381,891			210,336			-			<u>3,175</u>			<u>1,808,903</u>						6,689,749			825,137			134,080			<u>6,110,161</u>			<u>13,759,127</u>					\$	<u>15,568,030</u>		<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Total fund balances per Governmental Funds Balance Sheet <span style="float: right;">\$ 13,759,127</span></p> <p>Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Assets, less accumulated depreciation <span style="float: right;">44,469,345</span></p> <p>Internal service fund equity (including \$453,748 in fixed assets) (statement 5) <span style="float: right;">2,206,240</span></p> <p>Proceeds from bond issuance <span style="float: right;">(9,800,000)</span></p> <p>Principal reduction applied to liability <span style="float: right;">820,000</span></p> <p>Bond issuance costs-unamortized <span style="float: right;"><u>225,784</u></span></p> <p>Total net assets per Statement of Net Assets <span style="float: right;"><u>\$ 51,680,496</u></span></p>	
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The accompanying notes are an integral part of these financial statements.

	Governmental Fund Types		
	General Fund	Non-major Governmental Funds	Capital Projects Funds
Revenues			
Taxes			
Property tax and assessments	\$ 4,889,198	\$ 358,770	\$ -
Sales tax	924,853	-	-
Franchise tax	1,052,335	-	-
Property transfer tax	132,811	-	-
Rent and interest	139,315	18,977	3
Recreation fees			
Recreation class fees	1,029,574	-	-
OYA sports fees	314,432	-	-
Wagner Ranch sports fees	84,227	-	-
Other	161,408	-	-
Service fees			
Vehicle fees and parking fines	204,260	-	-
NPDES	-	329,734	-
Building inspection	263,041	-	-
Planning	285,778	-	-
Public works and engineering	165,137	-	-
Police	20,795	-	-
Other agencies			
Federal	-	-	14,739
State and local	13,449	100,000	-
Gasoline taxes	-	425,289	-
Homeowners tax reimbursement	37,880	-	-
Vehicle licenses fees	81,738	-	-
Measure C projects	-	984,103	-
Measure J - return to source	-	306,353	-
Development impact fees	-	238,290	-
Miscellaneous	46,390	-	79,317
Realized gain (loss) on investments	150,305	-	-
Unrealized gain (loss) on investments	(193,078)	-	-
Total revenues	<u>9,803,848</u>	<u>2,761,516</u>	<u>94,059</u>
Expenditures			
City management	468,169	-	-
City attorney	313,517	-	-
City clerk	198,798	-	-
Administrative services	141,817	661,691	-
Parks and recreational department	2,081,022	-	-
Public works and engineering	1,058,168	-	-
Police services	3,665,621	-	-
Planning department	844,418	-	-
Capital improvements	-	20,000	5,446
Lighting and landscaping district	-	72,144	-
Transportation infrastructure improvements	-	1,588,774	520,559
Library operations	5,936	273,422	-
Drainage Improvements	-	72,073	-
Debt Service:			
Interest	405,185	-	-
Principal payments on bonds	215,000	-	-
Total expenditures	<u>9,397,651</u>	<u>2,688,104</u>	<u>526,005</u>
Excess (deficiency) of revenues over expenditures	<u>406,197</u>	<u>73,412</u>	<u>(431,946)</u>
Other financing sources (uses)			
Operating transfers - in	-	26,120	337,674
Operating transfers - out	(730,586)	(43,449)	-
Total other financing sources (uses)	<u>(730,586)</u>	<u>(17,329)</u>	<u>337,674</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(324,389)	56,083	(94,272)
Fund balance - beginning of year	<u>9,324,730</u>	<u>4,572,381</u>	<u>224,594</u>
Fund balance - end of year	<u>\$ 9,000,341</u>	<u>\$ 4,628,464</u>	<u>\$ 130,322</u>

The accompanying notes are an integral part of these financial statements.

<table border="0"> <tr> <td style="text-align: right;">Total Governmental Funds</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td>\$ 5,247,968</td> <td></td> </tr> <tr> <td>924,853</td> <td></td> </tr> <tr> <td>1,052,335</td> <td></td> </tr> <tr> <td>132,811</td> <td></td> </tr> <tr> <td>158,295</td> <td></td> </tr> <tr> <td>1,029,574</td> <td></td> </tr> <tr> <td>314,432</td> <td></td> </tr> <tr> <td>84,227</td> <td></td> </tr> <tr> <td>161,408</td> <td></td> </tr> <tr> <td>204,260</td> <td></td> </tr> <tr> <td>329,734</td> <td></td> </tr> <tr> <td>263,041</td> <td></td> </tr> <tr> <td>285,778</td> <td></td> </tr> <tr> <td>165,137</td> <td></td> </tr> <tr> <td>20,795</td> <td></td> </tr> <tr> <td>14,739</td> <td></td> </tr> <tr> <td>113,449</td> <td></td> </tr> <tr> <td>425,289</td> <td></td> </tr> <tr> <td>37,880</td> <td></td> </tr> <tr> <td>81,738</td> <td></td> </tr> <tr> <td>984,103</td> <td></td> </tr> <tr> <td>306,353</td> <td></td> </tr> <tr> <td>238,290</td> <td></td> </tr> <tr> <td>125,707</td> <td></td> </tr> <tr> <td>150,305</td> <td></td> </tr> <tr> <td>(193,078)</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">12,659,423</td> <td></td> </tr> <tr> <td>468,169</td> <td></td> </tr> <tr> <td>313,517</td> <td></td> </tr> <tr> <td>198,798</td> <td></td> </tr> <tr> <td>803,508</td> <td></td> </tr> <tr> <td>2,081,022</td> <td></td> </tr> <tr> <td>1,058,168</td> <td></td> </tr> <tr> <td>3,665,621</td> <td></td> </tr> <tr> <td>844,418</td> <td></td> </tr> <tr> <td>25,446</td> <td></td> </tr> <tr> <td>72,144</td> <td></td> </tr> <tr> <td>2,109,333</td> <td></td> </tr> <tr> <td>279,358</td> <td></td> </tr> <tr> <td>72,073</td> <td></td> </tr> <tr> <td>405,185</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">215,000</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">12,611,760</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">47,663</td> <td></td> </tr> <tr> <td>363,794</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">(774,035)</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">(410,241)</td> <td></td> </tr> <tr> <td>(362,578)</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">14,121,705</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 13,759,127</td> <td></td> </tr> </table>	Total Governmental Funds		\$ 5,247,968		924,853		1,052,335		132,811		158,295		1,029,574		314,432		84,227		161,408		204,260		329,734		263,041		285,778		165,137		20,795		14,739		113,449		425,289		37,880		81,738		984,103		306,353		238,290		125,707		150,305		(193,078)		12,659,423		468,169		313,517		198,798		803,508		2,081,022		1,058,168		3,665,621		844,418		25,446		72,144		2,109,333		279,358		72,073		405,185		215,000		12,611,760		47,663		363,794		(774,035)		(410,241)		(362,578)		14,121,705		\$ 13,759,127		<p>Amounts reported to governmental activities in the Statement of Activities are different because:</p> <p>Net change in fund balances - total governmental funds <span style="float: right;">\$ (362,578)</span></p> <p><i>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life and reported as depreciation expense:</i></p> <p>General fixed assets (not including Internal Service Funds):</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 40px;">Cost of capital assets - additions</td> <td style="text-align: right;">2,317,559</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Depreciation expense</td> <td style="text-align: right; border-bottom: 1px solid black;">(2,665,739)</td> <td style="text-align: right;">(348,180)</td> </tr> </table> <p><i>The issuance of long-term debt provides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds</i></p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 40px;">Principal reduction applied to COP bonds liability</td> <td></td> <td style="text-align: right;">215,000</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of prepaid bond costs</td> <td></td> <td style="text-align: right;">(9,299)</td> </tr> </table> <p>Net change in fund balance - internal service fund (Statement 6) <span style="float: right; border-bottom: 1px solid black;">195,582</span></p> <p>Change in net assets (Statement 2) <span style="float: right; border-bottom: 3px double black;">\$ (309,475)</span></p>	Cost of capital assets - additions	2,317,559		Depreciation expense	(2,665,739)	(348,180)	Principal reduction applied to COP bonds liability		215,000	Amortization of prepaid bond costs		(9,299)
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The accompanying notes are an integral of these financial statements

CITY OF ORINDA  
Statement of Net Assets  
Internal Service Funds  
June 30, 2011

Statement 5

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	<u>Internal Service Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,749,054
Interest receivable	1,672
Property and equipment, net of accumulated depreciation	<u>509,556</u>
Total assets	<u>\$ 2,260,282</u>
<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable and accrued liabilities	\$ 54,042
Total liabilities	<u>54,042</u>
Net Assets	
Invested in capital assets	509,556
Reserved for	
Future capital projects	757,763
Unreserved - undesignated	<u>938,921</u>
Total net assets	<u>2,206,240</u>
Total liabilities and net assets	<u>\$ 2,260,282</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

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Operating revenues	
Charges to operating departments	\$ 39,385
Other	2,092
Total operating revenues	<u>41,477</u>
Operating expenses	
Depreciation	186,748
Insurance	67,417
Other	9,852
Total operating expenses	<u>264,017</u>
Operating income	<u>(222,540)</u>
Non-operating revenues (expenses)	
Interest	7,881
Total non-operating revenue	<u>7,881</u>
Income before contributions and transfers	(214,659)
Transfers out	-
Transfers in	<u>410,241</u>
Change in net assets	195,582
Total net assets - beginning	<u>2,010,658</u>
Total net assets - ending	<u>\$ 2,206,240</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ORINDA  
Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

Statement 7

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Cash flows from operating activities	
Operating revenue	\$ 39,385
Operating expenses	<u>(239,608)</u>
Net cash provided by operating activities	<u>(200,223)</u>
Cash flows from noncapital financing activities	
Transfers from other funds, net	<u>410,241</u>
Net cash provided by noncapital and related financing activities	<u>410,241</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(219,718)</u>
Net cash used by capital and related financing activities	<u>(219,718)</u>
Cash flows from investing activities	
Interest received	<u>6,209</u>
Net cash provided by investing activities	<u>6,209</u>
Net increase (decrease) in cash and cash equivalents	(3,491)
Cash and cash equivalents	
Beginning of year	<u>1,752,545</u>
End of year (statement 5)	<u>\$ 1,749,054</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (222,540)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	186,748
Loss on disposal of fixed assets	(2,092)
Decrease in accounts payable and accrued liabilities	<u>(162,339)</u>
Net cash provided by operating activities	<u>\$ (200,223)</u>

The accompanying notes are an integral part of these financial statements.

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	Planning and Engineering Deposits	Oaksprings Assessment District Debt Service	Total Trust and Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,476,232	\$ 682,024	\$ 2,158,256
Prepaids items and deposits	-	686	686
Accounts receivable	232,607	25	232,632
Interest receivable	-	683	683
Total assets	\$ 1,708,839	\$ 683,418	\$ 2,392,257
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 16,534	\$ -	\$ 16,534
Deposits	1,692,305	-	1,692,305
Due to bond holders - reserve fund	-	376,975	376,975
Due to bond holders - debt service	-	306,443	306,443
Total liabilities	\$ 1,708,839	\$ 683,418	\$ 2,392,257

The accompanying notes are an integral part of these financial statements

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Notes to Basic Financial Statements  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Orinda have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**1. A. Financial Reporting Entity**

The financial statements of the City of Orinda (the "City") include all the City's financial activities over which the City Council exercises oversight responsibility. Oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing board (i.e., - all funds and entities for which the City Council is financially accountable).

**1. B. Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, debt issuance and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for services. *The City has no business-type activities as of June 30, 2011.*

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary (business type), and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered *major* if it is the primary operating fund of the City or meets the following criteria:

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

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The funds of the financial reporting entity are described below:

**Governmental funds**

*General Fund*

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

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. All Special Revenue Funds of the City are categorized as “Other Governmental Funds” since they do not meet the criteria individually as a major fund.

*Capital Project Fund*

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes three Capital Project Funds which are used to account for the acquisition of capital assets with transfers made from the General Fund and other fund sources.

**Proprietary funds**

*Internal Service Fund*

The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City, on a cost reimbursement basis. Under GASB 34 this fund is now rolled into the governmental activities for the government-wide statements of net assets and activities. The City uses these funds to account for the information systems, building maintenance, vehicle usage, and insurance.

*Enterprise (Business Type) Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. *The City has no enterprise funds.*

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Notes to Financial Statements  
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**Fiduciary funds (not included in government-wide statements)**

*Agency Funds*

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature, they do not involve the measurement of the results of operations. The City includes two agency funds as follows:

- Planning and Engineering Deposits - \$1,708,839
- Oaksprings Assessment District - \$683,418

The Oaksprings Assessment District was established to collect assessments and pay the holders of the debt instruments as payments become due. The Oaksprings AD bonds were refinanced in 2004. These bonds are not the debt of the City. As such, the amounts are not included in the governmental funds of the City.

**Major and non-major funds**

The funds are further classified as major or non-major as shown on pages 4 and 6 as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
General Fund	Primary operating Fund of the City
Capital Project Fund	Accounts for specific capital projects
Debt Service Fund	Accounts for resources for payment of interest and principal of long-term debt
<i>Non-major:</i>	
All Special Revenue Funds:	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes

The following is a list of the City's various special revenue funds:

- Gas tax - Gas pump sales tax dedicated to transportation projects.
- Transportation impact - Fees collected on new development and additions to existing housing dedicated to transportation projects.
- Drainage impact – Fees collected on new development and additions to existing housing dedicated to drainage projects.
- Library - Parcel tax dedicated to extended library hours.
- Park dedication - Fees collected on new development and additions to existing housing dedicated to Park and Recreation projects.
- SLESF – State funds dedicated to police investigative services.
- Arts and Garden Center - Community facilities fees required by the development of the Gateway Valley.
- Street lighting and landscaping assessment district #1986-1- Residential zones L-42 and L-9, and business district zone M-11.
- Tree mitigation – Fees collected for the replacement of protected trees lost as a result of construction related activities in accordance with the Orinda Municipal Code.
- Measure J – Return-to-source or special project funds dedicated to transportation projects.
- Stormwater – Funds received from the county to be used for stormwater and pollution control programs under the Clean Water Act

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Notes to Financial Statements  
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**1. C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement focus**

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

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

- a. All governmental funds utilize a “*current financial resources*” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund (business-type) utilizes an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets. *The City has 6 internal service funds (see p 44 and 45) which are included in Statements 1 and 2. The City has no enterprise funds.*
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of accounting**

*Government-Wide Financial Statements*

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CITY OF ORINDA  
Notes to Financial Statements  
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Certain types of transactions are reported as program revenues for the City in three categories:

- ❖ Charges for services
- ❖ Operating grants and contributions
- ❖ Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Assets, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities would not be eliminated. The following interfund activities have been eliminated:

- ❖ Due to/from other funds
- ❖ Advances to/from other funds
- ❖ Transfers in/out

The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements included a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis for accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to modified accrual are recognized when due. The primary revenue sources accrued by the City are property tax, sales tax, franchise taxes, special assessments, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

### **1. D. Assets, Liabilities, and Equity**

#### **Cash and investments**

For the purpose of the Statement of Net Assets, “cash and cash equivalents” includes all cash accounts, savings accounts, certificates of deposits of the City, and the investment in the State of California fund called the “Local Agency Investment Fund (LAIF)” which is available for immediate withdrawal. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, investment in LAIF, and certificates of deposit or short-term investments with an original maturity of three months or less. Restricted cash is not considered a cash equivalent.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

#### **Interfund receivables and payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to/from other funds”. Short-term interfund loans are reported as “interfund receivables and payables”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.E for details of interfund transactions, including receivables and payables at year-end. All interfund receivables, payables or due to/from amounts netted to zero at June 30, 2011.

#### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances in the government-wide and fund receivable balances in the fund financial statements are substantially the same for the City.

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In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, transfer tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

*Government-wide Statements*

**Fixed assets**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets for which cost was not available.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Type</u>	<u>Useful Life (years)</u>
Land, easements, and right of way	N/A
Building, grounds and improvements	10-39
Infrastructure	15-80
Equipment and furniture	3-15

The City policy has set the capitalization threshold for reporting capital assets at \$5,000 for general capital assets.

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Restricted assets**

Restricted assets include cash and investments that are *legally restricted* as to their use.

In July 2006, the City received \$2,500,000 in connection with the developer agreement of the Wilder development. The \$2,500,000 is restricted for the purpose of construction of affordable housing at the site of the former library. This amount is also listed as restricted fund equity.

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Notes to Financial Statements  
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**Long-term debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-wide fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of a Certificate of Participation payable (COP).

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for a proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused general leave. The liability for these compensated absences is recorded as noncurrent liabilities in the government-wide statements.

**Equity classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

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

*Fund Balance Reporting*

Under GASB Statement No. 54, Fund Balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City Council, as the highest level of decision-making authority of the City, commits fund balances through resolutions. The Council has designated certain members of management staff to assign fund balances. These captions apply only to Fund Balance classifications:

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Notes to Financial Statements  
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- *Nonspendable fund balance* are those amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- *Restricted fund balances* are those amounts that should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation
- *Committed fund balances* are those amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- *Assigned fund balances* are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- *Unassigned fund balances* are those residual funds that have not been assigned to other funds, are nonspendable, restricted, committed, or assigned to specific purposes. The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the policy of the City to spend funds in order from restricted to unassigned, as listed above.

**1. E. Revenues, Expenditures, and Expenses**

**Property tax and assessments**

State of California ("State") Constitution Article XIII provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the \$1.00 levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service. The county uses the following calendar to assess properties, and to bill for, collect, and distribute property taxes.

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	March/July 1	March/July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

CITY OF ORINDA  
Notes to Financial Statements  
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The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Secured taxes are secured by liens on the property being taxed.

The City is part of the Teeter Plan. The Teeter Plan allows California counties to finance property tax receipts for local agencies by borrowing money to advance cash to each taxing jurisdiction in an amount equal to the current year's delinquent property taxes. In exchange, the counties receive the penalties and interest on the delinquent taxes when collected.

**Sales tax**

The State presently levies a 9.25% sales tax (as of June 30, 2011) on taxable sales within the City of which 1% is allocated to the City. The sales tax is collected by the State and remitted to the City in the month following receipt. The State makes advances based on estimates with quarterly settlements since the City receives the sales tax approximately one to three months after collection by vendors. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Accounts Receivable". The 9.25% sales tax also includes some "Measure C" funds which are allocated to the City pursuant to street/pavement needs as approved by the Contra Costa Transportation Authority (CCTA).

**Other revenues**

Other revenues as realized by the City include recreation fees, planning fees, public works/engineering fees, franchise taxes, property transfer taxes, vehicle license fees and vehicle and parking fines.

**Expenditures / expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**Interfund transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, which consists of consolidated governmental funds, all interfund transfers between individual governmental funds have been eliminated.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2011

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**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2. A. Fund Accounting Requirements**

The City complies with all federal, state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Gas tax	State law - included in "Other Governmental"
Measure J	County proposition - included in "Other Governmental"
Developmental impact	Local ordinance – included in "Other Governmental"
SLESF (AB 3229)	State law – included in "Other Governmental"
Stormwater (NPDES)	State law – included in "Other Governmental"
Light and landscaping districts	Local ordinance – included in "Other Governmental"
Tree Mitigation	Local ordinance – included in "Other Governmental"
Department of Transportation	Federal law – included in "Capital Projects"

**2. B. Deposits and Investments Laws and Regulations**

The City's policy, as well as the California Government Code, requires that a financial institution secure deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law requires financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits, and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). The City, however, has not waived the collateralization requirements.

In November of 2010, the FDIC issued a final rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides unlimited insurance coverage of non-interest bearing transaction accounts.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2011

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**2. C. Revenue Restrictions**

The City has various restrictions placed over certain revenue sources by state or local agencies. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline tax	Street purposes
Measure J tax (part of sales tax)	Street purposes
Lighting assessment districts	Lighting and landscaping
Developmental impact fees	Transportation, drainage and park capital projects
Library assessment	Library service supplement
Supplemental law enforcement	Police
Tree mitigation	Tree replacement
Stormwater	Pollution control

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

**2. D. Fund Equity (Deficit)**

**Affordable Housing**

In July 2006, the City received \$2,500,000 in connection with the developer agreement of the Wilder development. The \$2,500,000 is restricted for the purpose of constructing affordable housing at the site of the former library. This amount is listed as restricted fund equity.

**Fund Deficits**

The Federal Grants Fund (see page 42) had a deficit balance of \$40,531 at June 30, 2011.

Management from time to time may chose to eliminate deficits as deemed appropriate.

**2. E. Debt Restrictions and Covenants**

**Certificate of Participation**

In September of 2005 Certificates of Participation relating to the City Offices Project totaling \$9,800,000 were issued pursuant to Resolution No. 50-05 which approved lease financing of the new city offices.

Lease payments are to be paid pursuant to a site lease between the City and the Orinda Facilities Financing Corporation (Corporation), which was formed under laws of the State of California for the purpose of providing financial assistance to the City in financing the acquisition, construction and improvement of public buildings, equipment and facilities.

The City entered into a lease with the Corporation (site lease) and agreed to leaseback the new City offices site (facilities lease) after the completion of the City offices. At the end of the lease, the offices will belong to the City, thus, the offices are assets of the City as a “lease-purchase”. Additional information can be found at 3. F. Long-Term Debt.

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Notes to Financial Statements  
June 30, 2011

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**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3. A. Cash and Investments**

The City had the following cash and investments at June 30, 2011:

<b><u>Cash and Cash Equivalents:</u></b>		<u>Moody Rating</u>
Cash deposits in bank checking accounts	\$ 1,244,328	N/A
Investment account cash	516,244	N/A
Petty Cash	830	N/A
Local Agency Investment Fund - State of California	<u>13,854,202</u>	N/A
<b>Total Cash and Cash Equivalents</b>	<b><u>15,615,604</u></b>	
 <b><u>Investments</u></b>		
Investment in CDs maturing in June 2012	998,010	
Investment in U.S. Treasury Notes and Corporate Bonds, at market value, maturing May 2012 to August 2013, Par \$1,250,000 (see listing which follows)	<u>1,316,950</u>	Aaa
<b>Total Investments</b>	<b><u>2,314,960</u></b>	
Guaranteed investment contract	<u>1,145</u>	Aaa
<b>Total Cash and Investments</b>	<b><u>\$ 17,931,709</u></b>	
 <b><u>Reconciliation to Financial Statements:</u></b>		
<i>Governmental Funds Balance Sheet (Statement 3):</i>		
Cash and cash equivalents	\$ 11,523,254	
Investments – restricted	2,314,960	
Cash and investments – restricted	<u>186,185</u>	
	14,024,399	
 <i>Internal Service Funds (Statement 5)</i>		
Cash and cash equivalents	1,749,054	
<i>Fiduciary Funds (Statement 8)</i>		
Cash and cash equivalents	<u>2,158,256</u>	
<b>Total cash and investments</b>	<b><u>\$ 17,931,709</u></b>	
 <i>Statement 1:</i>		
Cash and cash equivalents	\$ 13,272,308	
Restricted – cash and investments	<u>2,501,145</u>	
	15,773,453	
 <i>Statement 8:</i>		
Fiduciary Funds – cash and cash equivalents	<u>2,158,256</u>	
	<b><u>\$ 17,931,709</u></b>	

CITY OF ORINDA  
Notes to Financial Statements  
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The City's investments with the Local Agency Investment Fund (LAIF) at June 30, 2011, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

*Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.*

*Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.*

As of June 30, 2011, the City had \$13,854,202 invested in LAIF, which had invested 5.01% of the pooled investment fund in structured notes and asset-backed securities.

Investment in Corporate Bonds and U. S. Treasury

	PAR	Coupon %	Maturity Date	June 30, 2011 Market Value	Moody's Ratings
<u>Corporate Bonds</u>					
Berkshire Hathaway	250,000	5.125	09/15/12	263,960	Aa2
General Electric	250,000	5.0	02/01/13	264,013	Aa2
Johnson & Johnson	250,000	3.8	05/15/13	264,892	Aaa
	<u>750,000</u>			<u>792,595</u>	
<u>U. S. Treasury</u>					
U.S. Treasury notes	250,000	4.75	05/31/12	260,333	Aaa
U.S. Treasury notes	250,000	3.125	08/31/13	264,022	Aaa
	<u>500,000</u>			<u>524,355</u>	
	<u>\$ 1,250,000</u>			<u>\$ 1,316,950</u>	

At June 30, 2011, the book amount of the City's deposits were \$1,244,328; however, bank balances before outstanding checks were \$1,412,476 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

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Notes to Financial Statements  
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The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City maintains a cash deposit and investment pool that is available for use by all funds. It is not used for the retirement plan and the deferred compensation plan.

The City is authorized to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper with certain minimum ratings, certificates of deposit, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool (Local Agency Investment Fund).

City Investment Policy

The City is authorized by State statutes and in accordance with the City's investment Policy (updated June 15, 2010) to invest in the following:

	Maximum Limit of Pool
Securities of the U.S. Government, or its agencies	100%
Certificates of Deposit (of Time Deposits) placed with commercial banks and/or savings and loan companies not to exceed \$100,000 per institution	100%
Local Agency Investment Fund (State Pool) Demand Deposits	100%
Passbook Savings Account Demand Deposits not to exceed \$100,000 per institution	100%
Shares of beneficial interest issued by Diversified Management Companies (Mutual funds)	20%
Money Market Demand Accounts	100%
Banker Acceptances, maximum of 170 days (maximum 30% of pool with 1 agency)	40%
Commercial Paper, maximum 180 days of Prime Quality (not more than 10% of outstanding paper of an issuing corporation)	25%
Medium-term corporate notes	30%

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Notes to Financial Statements  
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The Government Code (Title 5, Division 2, Part 1 Article 1) also allows investments in the following media:

	Maximum Limit of Pool
Repurchase Agreements and Reverse Repurchase Agreements	10%
Negotiable Certificates of Deposit	10%
Bonds issued by local agencies	10%
State warrants, treasury notes, and bonds	10%
Mortgage securities	5%

The City's criteria for selecting investments are, in order of priority: (1) Safety, (2) Liquidity, and (3) Yield. All applicable investments are required to have an AA rating or higher. The City's investments comply with established policy.

In addition, the City has Certificates of Participation proceeds that are invested in Guaranteed Investment Contracts (GIC). The City's Investment Policy does not specifically cover GIC investments; however, the City's Bond Trust/Indenture Agreements list GIC's as a permitted investment for the COP Proceeds.

Investment income shall accrue solely to the General Fund except where required by law, in which case interest shall accrue to other funds based upon the fund's proportionate ratio of balances to total pooled cash. Investment income shall not be credited to individual reserve accounts, except where required by law.

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

### 3. B. Accounts Receivable

Accounts receivable for the governmental activities consist of various reimbursements, taxes and fees dated June 30 and prior received subsequent to June 30, 2011. They include:

CCTA- Measure J	\$ 619,191
State of California - OES	151,417
Municipal Pooling Authority	130,071
State of California - Sales taxes	97,800
CCTA – Other	93,781
Comcast – Franchise Fees	80,802
Miscellaneous under \$75,000	394,318
Allowance for Bad Debts	(151,417)
	<u>\$ 1,415,963</u>

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**3. C. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows (including General Fund assets and Internal Service Fund fixed assets):

	Balance July 1, 2010	Additions	Dispositions	Balance June 30, 2011
<u>Assets</u>				
Parkland & improvements	\$ 1,295,205	\$ -	\$ -	\$ 1,295,205
Buildings, grounds & improvements	27,967,828	46,000	-	28,013,828
Furniture & equipment	2,367,432	264,474	(223,391)	2,408,515
Infrastructure	65,036,409	979,175	-	66,015,584
Work in progress	2,324,908	1,315,388	-	3,640,296
	<u>98,991,782</u>	<u>2,605,037</u>	<u>(223,391)</u>	<u>101,373,428</u>
<u>Depreciation</u>				
Buildings, grounds & improvements	4,649,362	1,080,191	-	5,729,553
Furniture & equipment	1,805,900	260,480	(217,335)	1,849,045
Infrastructure	47,244,501	1,571,428	-	48,815,929
	<u>53,699,763</u>	<u>2,912,099</u>	<u>(217,335)</u>	<u>56,394,527</u>
Net book Value	<u>\$ 45,292,019</u>	<u>\$ (307,062)</u>	<u>\$ (6,056)</u>	<u>\$ 44,978,901</u>

**3. D. Accounts Payable**

Accounts payable in the governmental funds are composed of payables to various vendors during the normal course of business. At June 30, 2011, the most significant general fund payable was the payable to the Contra Costa County Sheriff totaling \$482,715. The most significant non-major fund payable at June 30, 2011 was a \$77,939 payable to D.R. Lemings Construction for the Drainage Impact Fund.

**3. E. Interfund Transactions and Balances**

**Operating transfers**

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 730,586
Capital projects fund	337,674	-
Other governmental funds	26,120	43,449
Subtotal	<u>363,794</u>	<u>774,035</u>
Proprietary funds/internal service	410,241	-
	<u>\$ 774,035</u>	<u>\$ 774,035</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires for recording purposes to the project fund for expenditure (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**3. F. Long-Term Debt**

The City's long-term debt consists of a Certificate of Participation (COP) in the original amount of \$9,800,000 issued in fiscal year 2006. The following is the scheduled debt service obligation:

Certificate of Participation – Issued 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 225,000	\$ 397,660	\$ 622,660
2013	235,000	388,660	623,660
2014	240,000	379,260	619,260
2015	250,000	369,660	619,660
2016	260,000	359,660	619,660
2017 – 2021	1,475,000	1,633,100	3,108,100
2022 – 2026	1,800,000	1,305,244	3,105,244
2027 – 2031	2,265,000	840,250	3,105,250
2032 – 2035	2,230,000	256,502	2,486,502
	<u>\$ 8,980,000</u>	<u>\$ 5,929,996</u>	<u>\$ 14,909,996</u>

During fiscal year 2011, interest payments were \$405,185. In addition, bond issuance costs of \$281,668 are being amortized over 30 years. The schedule assumes that July 1 is the same as June 30. See note 2.E for additional details.

**NOTE 4. OTHER NOTES**

**4. A. Retirement Plans**

**Defined contribution plans (Internal Revenue Code Section 401 (a) Plans)**

The employees of the City accumulate retirement benefits through three defined contributions plans with the ICMA Retirement Corporation. All contributions are by the City and are based on a percentage of base salary, with vesting over a three-year period. The Plans are administered and held in trust for the exclusive benefit of participants and are not assets of the City.

The following summarizes transactions in the Plan for the year ended June 30, 2011:

Defined contribution retirement plan:		
Balance June 30, 2010	\$	3,275,639
Contributions		369,651
Loan activity, net		5,401
Disbursements, net		(135,798)
Earnings		639,441
Balance June 30, 2011	\$	<u>4,154,024</u>

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**Deferred compensation plan (Internal Revenue Code Section 457)**

Employees have an option of participating in a deferred compensation plan where contributions are from employee earnings at a maximum of 25% of earnings with the City matching 3% and with the total contributions not to exceed the IRS limit. The Plan provides for the deferral of a portion of the employee's compensation until retirement, termination, or certain other events. Under Internal Revenue Code 457, the amounts deferred under a deferred compensation plan maintained by a state or local government must be held in a trust (or custodial account or annuity contract) for the exclusive benefit of plan participants and their beneficiaries. The assets are not considered assets of the City.

The following summarizes transactions in the 457 Plan for the year ended June 30, 2011:

Deferred compensation plan:		
Balance June 30, 2010	\$	2,436,117
Contributions		348,365
Disbursements and adjustments		(159,045)
Earnings		514,767
Balance June 30, 2011	\$	3,140,204

**4. B. Risk Management**

**Insurance coverage**

The City purchases its insurance through the Municipal Pooling Authority (MPA) of Northern California of which the City is a member.

The following is a summary of coverage as of June 30, 2011:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	\$ 1,000,000,000	\$ 5,000
Boiler and machinery	\$ 100,000,000	\$ 5,000
Liability	\$ 29,000,000	\$ 5,000
Auto-physical damage	\$ 250,000	\$ 2,000
Workers' compensation	\$ 50,000,000	\$ 0

The total coverage includes the City's deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### **4. C. Commitments and Contingencies**

##### **Claims involving the City of Orinda**

The City is a defendant in lawsuits arising in the normal course of business. The MPA is providing coverage for litigation against the City, however some litigation costs are covered by the City's insurance fund, where the City has provided additional reserves. As of June 30, 2011, the insurance fund had net assets of \$757,763. Additional details are on pages 44 and 45.

##### **Grant programs**

The City participates in several federal and state grant programs. These programs have been audited when required by the City's independent accountants in accordance with the provisions of the federal Single Audit Act of 1984 as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

#### **4. D. Wilder Project**

In February 2007, the City approved Resolution 08-07 entering into an agreement with and becoming a member of the California Statewide Communities Development Authority (CSCDA), a joint powers authority formed under the Mello-Roos Community Facilities Act of 1982. At the same meeting, Resolutions 09-07 was approved authorizing CSCDA to form a Community Facilities District (CFD). The district was formed in May 2007, for the purpose of financing the construction of public improvements and provision of public services necessary to meet increased demands placed on the City as a result of the Wilder Project.

The improvements to be constructed include facilities such as the storm drain system, sanitary sewer system, water distribution system, maintenance facility, Art and Garden Center, ball fields, street improvements, landscaping and utilities. These improvements will be financed through the sale of Special Tax Bonds, the issuance of \$30 million occurred in December 2007. At the completion of each improvement, the improvement will be turned over to the City or major utility. At that time the developer will be reimbursed from the proceeds of the bonds, which are held in trust, for the costs related to that improvement. All costs are the responsibility of the developer, with the City having no responsibility for any costs. The repayment of the bonds will be through a special tax lien to be paid in full at close of escrow of the sale of each lot to the initial homebuyer.

Since the JPA is administering the CFD and the City has no responsibility for the bonds, the Wilder Project is not included in the City's Agency Funds.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2011

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**4. E. New Accounting Pronouncements**

In March of 2009, GASB issued GASBS No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the reserved component of fund balance in favor of a restricted classification will enhance the consistency between information reported in the government-wide statements and information in the governmental fund financial statements and avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance classification approach in this Statement will require governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as restricted in one fund but unrestricted in another. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The clarifications of the governmental fund type definitions will reduce uncertainty about which resources can or should be reported in the respective fund types. The City has implemented the provisions of the Statement for the current fiscal year, as required.

In December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The City is required to implement the provisions of the Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice, since the City does not have post-retirement benefits.

In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The City has no known SCAs that would require disclosure or have a material effect on the financial statements of the City.

CITY OF ORINDA  
Notes to Financial Statements  
June 30, 2011

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In November of 2010, GASB issued GASBS No. 61, *The Financial Reporting Entity: Omnibus*. This Statement amends Statements No. 14 and 34, to modify certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

CITY OF ORINDA  
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June 30, 2011

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In June of 2011, GASB issued GASBS No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will most likely not result in a change in current practice, or have a material effect on the financial statements of the City.

In June of 2011, GASB issued GASBS No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement amends Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty’s credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty’s credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is required to implement the provisions of this Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the City.

#### **4. F. Subsequent Events**

Management has evaluated subsequent events through December 7, 2011, the date on which the financial statements were available to be issued. No material subsequent events were noted for the purposes of this report.

## **Required Supplementary Information**

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CITY OF ORINDA  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2011

Exhibit 1

	<b>General Fund</b>			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes				
Property tax and assessments	\$ 3,619,324	\$ 3,619,324	\$ 3,639,951	\$ 20,627
Property tax in lieu of VLF	1,435,189	1,435,189	1,249,247	(185,942)
Sales tax	822,449	822,449	924,853	102,404
Franchise tax	1,021,811	1,021,811	1,052,335	30,524
Property transfer tax	122,701	122,701	132,811	10,110
Rent and interest	339,596	339,596	139,315	(200,281)
Realized gain on investments	-	-	150,305	150,305
Unrealized gain on investments	-	-	(193,078)	(193,078)
Recreation fees				
Recreation class fees	939,270	939,270	1,029,574	90,304
OYA sports fees	338,192	338,192	314,432	(23,760)
Wagner Ranch sports	95,200	95,200	84,227	(10,973)
Other	164,652	164,652	161,408	(3,244)
Service fees				
Vehicle and parking fines	144,975	144,975	204,260	59,285
Building inspection	263,411	263,411	263,041	(370)
Planning	295,000	295,000	285,778	(9,222)
Public works and engineering	197,282	197,282	165,137	(32,145)
Police	24,254	24,254	20,795	(3,459)
Other agencies				
State and local	-	-	13,449	13,449
Homeowners tax reimbursement	33,685	33,685	37,880	4,195
Vehicle licenses fees	60,718	60,718	81,738	21,020
Vehicle abatement	2,434	2,434	-	(2,434)
Miscellaneous	3,600	3,600	46,390	42,790
<b>Total revenues</b>	<u>9,923,743</u>	<u>9,923,743</u>	<u>9,803,848</u>	<u>(119,895)</u>
<b>Expenditures</b>				
City management/policy and legal	1,079,093	1,099,093	980,484	118,609
Finance/administrative services	581,700	590,700	547,002	43,698
Police services department	3,759,470	3,759,470	3,665,621	93,849
Public works / engineering	1,333,332	1,333,332	1,058,168	275,164
Parks and recreational department	2,152,938	2,152,938	2,081,022	71,916
Planning department	997,125	997,125	844,418	152,707
Library operations	-	-	5,936	(5,936)
Principal payments on bonds	-	-	215,000	(215,000)
<b>Total expenditures</b>	<u>9,903,658</u>	<u>9,932,658</u>	<u>9,397,651</u>	<u>535,007</u>
Excess (deficiency) of revenues over expenditures	<u>20,085</u>	<u>(8,915)</u>	<u>406,197</u>	<u>415,112</u>
Other financing sources (uses)				
Operating transfers - in	-	-	-	-
Operating transfers - out	-	-	(730,586)	(730,586)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(730,586)</u>	<u>(730,586)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 20,085</u>	<u>\$ (8,915)</u>	<u>(324,389)</u>	<u>\$ (315,474)</u>
Fund equity - beginning of year			<u>9,324,730</u>	
Fund equity - end of year			<u>\$ 9,000,341</u>	

The accompanying notes are an integral part of these financial statements.

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## **Other Supplementary Information**

	General Fund	Orinda Youth Association Fund	Community Improvement Fund	Police K-9 Unit Fund	OPSAC Fund	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 6,916,608	\$ (532,532)	\$ 1,441	\$ -	\$ 436	\$ 6,385,953
Investments	-	-	-	-	-	-
Accounts receivable	46,681	511,802	-	-	-	558,483
Accrued interest receivable	22,004	-	-	-	-	22,004
Prepaid items and deposits	98,595	-	-	-	-	98,595
Total unrestricted assets	<u>7,083,888</u>	<u>(20,730)</u>	<u>1,441</u>	<u>-</u>	<u>436</u>	<u>7,065,035</u>
Restricted Assets:						
Cash deposits	185,040	-	-	-	-	185,040
Investments	2,314,960	-	-	-	-	2,314,960
Total restricted assets	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Total assets	<u>\$ 9,583,888</u>	<u>\$ (20,730)</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 436</u>	<u>\$ 9,565,035</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts payable and accrued liabilities	\$ 480,624	\$ 124,770	\$ -	\$ -	\$ 436	\$ 605,830
Accrued administrative leave	389,268	(7,377)	-	-	-	381,891
Deferred revenue	199,775	(2,304)	-	-	-	197,471
Due to (from) other funds	(331,327)	(292,346)	-	-	-	(623,673)
Planning and engineering deposits	3,175	-	-	-	-	3,175
Total liabilities	<u>741,515</u>	<u>(177,257)</u>	<u>-</u>	<u>-</u>	<u>436</u>	<u>564,694</u>
Fund balance						
Restricted	2,500,000	-	-	-	-	2,500,000
Committed	217,495	-	-	-	-	217,495
Assigned	14,717	156,527	1,441	-	-	172,685
Unassigned	6,110,161	-	-	-	-	6,110,161
Total fund balance	<u>8,842,373</u>	<u>156,527</u>	<u>1,441</u>	<u>-</u>	<u>-</u>	<u>9,000,341</u>
Total liabilities and fund balances	<u>\$ 9,583,888</u>	<u>\$ (20,730)</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 436</u>	<u>\$ 9,565,035</u>

CITY OF ORINDA  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance  
 General Fund  
 For the Year Ended June 30, 2011

Revenues	Orinda					Total
	General Fund	Youth Association Fund	Community Improvement Fund	Police K-9 Fund	OPSAC Fund	
Taxes						
Property tax and assessments	\$ 4,889,198	\$ -	\$ -	\$ -	\$ -	\$ 4,889,198
Sales tax	924,853	-	-	-	-	924,853
Franchise tax	1,052,335	-	-	-	-	1,052,335
Property transfer tax	132,811	-	-	-	-	132,811
Rent and interest	139,315	-	-	-	-	139,315
Recreation fees						
Recreation class fees	1,029,574	-	-	-	-	1,029,574
OYA sports fees	-	314,432	-	-	-	314,432
Wagner Ranch sports fees	84,227	-	-	-	-	84,227
Other	161,408	-	-	-	-	161,408
Service fees						
Vehicle and parking fines	204,260	-	-	-	-	204,260
Building inspection	263,041	-	-	-	-	263,041
Planning	285,778	-	-	-	-	285,778
Public works and engineering	165,137	-	-	-	-	165,137
Police	20,795	-	-	-	-	20,795
Other agencies						
State and local	13,449	-	-	-	-	13,449
Homeowners tax reimbursement	37,880	-	-	-	-	37,880
Vehicle licenses fees	81,738	-	-	-	-	81,738
Miscellaneous	18,765	1,375	26,250	-	-	46,390
Realized gain (loss) on investments	150,305	-	-	-	-	150,305
Unrealized gain (loss) on investments	(193,078)	-	-	-	-	(193,078)
Total revenues	<u>9,461,791</u>	<u>315,807</u>	<u>26,250</u>	<u>-</u>	<u>-</u>	<u>9,803,848</u>
Expenditures						
City management	442,169	-	26,000	-	-	468,169
City attorney	313,517	-	-	-	-	313,517
City clerk	198,798	-	-	-	-	198,798
Administrative services	141,817	-	-	-	-	141,817
Parks and recreational department	1,804,882	276,140	-	-	-	2,081,022
Public works and engineering	1,058,168	-	-	-	-	1,058,168
Police services	3,662,525	-	-	2,660	436	3,665,621
Planning Department	844,418	-	-	-	-	844,418
Library operations	5,936	-	-	-	-	5,936
Debt Service:						
Interest	405,185	-	-	-	-	405,185
Principal payments on bonds	215,000	-	-	-	-	215,000
Total expenditures	<u>9,092,415</u>	<u>276,140</u>	<u>26,000</u>	<u>2,660</u>	<u>436</u>	<u>9,397,651</u>
Excess (deficiency) of revenues over expenditures	<u>369,376</u>	<u>39,667</u>	<u>250</u>	<u>(2,660)</u>	<u>(436)</u>	<u>406,197</u>
Other financing sources (uses)						
Operating transfers - in	-	-	-	-	-	-
Operating transfers - out	(728,336)	(2,250)	-	-	-	(730,586)
Total other financing sources (uses)	<u>(728,336)</u>	<u>(2,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(730,586)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(358,960)	37,417	250	(2,660)	(436)	(324,389)
Fund balance - beginning of year	<u>9,201,333</u>	<u>119,110</u>	<u>1,191</u>	<u>2,660</u>	<u>436</u>	<u>9,324,730</u>
Fund balance - end of year	<u>\$ 8,842,373</u>	<u>\$ 156,527</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,000,341</u>

CITY OF ORINDA  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2011

	<u>Gas Tax</u>	<u>Transportation Impact</u>	<u>Drainage Impact</u>	<u>Library</u>	<u>Park Dedication</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 477,231	\$ 712,593	\$ 97,053	\$ 327,576	\$ 997,547
Accounts receivable	-	-	-	-	-
Accrued interest receivable	473	802	53	321	1,003
Prepaid expenses	-	-	-	1,062	-
 Total assets	 <u>\$ 477,704</u>	 <u>\$ 713,395</u>	 <u>\$ 97,106</u>	 <u>\$ 328,959</u>	 <u>\$ 998,550</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Accounts payable and accrued liabilities	\$ 7,551	\$ 1,213	\$ 96,750	\$ 51,409	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>7,551</u>	<u>1,213</u>	<u>96,750</u>	<u>51,409</u>	<u>-</u>
 Fund balance					
Restricted	63,001	712,182	356	277,550	998,550
Committed	<u>407,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>470,153</u>	 <u>712,182</u>	 <u>356</u>	 <u>277,550</u>	 <u>998,550</u>
 Total liabilities and fund equity	 <u>\$ 477,704</u>	 <u>\$ 713,395</u>	 <u>\$ 97,106</u>	 <u>\$ 328,959</u>	 <u>\$ 998,550</u>

Tree Mitigation	State AB 3229 S.L.E.S.F Program	Measures C & J	Arts & Garden Center	District L-42	District M-9	District M-11	Stormwater	Total
\$ 84,965	\$ (751)	\$ 47,097	\$ 1,617,130	\$ 4,641	\$ 3,378	\$ 8,210	\$ 364,344	\$ 4,741,014
-	11,315	712,972	-	-	-	-	3,123	727,410
89	24	-	1,715	-	-	-	329	4,809
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146</u>	<u>235</u>	<u>817</u>	<u>-</u>	<u>2,260</u>
<u>\$ 85,054</u>	<u>\$ 10,588</u>	<u>\$ 760,069</u>	<u>\$ 1,618,845</u>	<u>\$ 4,787</u>	<u>\$ 3,613</u>	<u>\$ 9,027</u>	<u>\$ 367,796</u>	<u>\$ 5,475,493</u>
\$ -	\$ -	\$ 193,496	\$ -	\$ 551	\$ 781	\$ 9,027	\$ 193,905	\$ 554,683
<u>-</u>	<u>-</u>	<u>292,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,346</u>
<u>-</u>	<u>-</u>	<u>485,842</u>	<u>-</u>	<u>551</u>	<u>781</u>	<u>9,027</u>	<u>193,905</u>	<u>847,029</u>
85,054	10,588	159,834	1,618,845	4,236	2,832	-	87,794	4,020,822
<u>-</u>	<u>-</u>	<u>114,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,097</u>	<u>607,642</u>
<u>85,054</u>	<u>10,588</u>	<u>274,227</u>	<u>1,618,845</u>	<u>4,236</u>	<u>2,832</u>	<u>-</u>	<u>173,891</u>	<u>4,628,464</u>
<u>\$ 85,054</u>	<u>\$ 10,588</u>	<u>\$ 760,069</u>	<u>\$ 1,618,845</u>	<u>\$ 4,787</u>	<u>\$ 3,613</u>	<u>\$ 9,027</u>	<u>\$ 367,796</u>	<u>\$ 5,475,493</u>

CITY OF ORINDA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-major Governmental Funds  
For the Year Ended June 30, 2011

	Gas Tax	Transportation Impact	Drainage Impact	Library	Park Dedication	Tree Mitigation	State AB 3229 S.L.E.S.F. Programs	Measures C & J	Arts & Garden Center
<b>Revenues</b>									
Property tax and assessments	\$ -	\$ -	\$ -	\$ 306,384	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,281	3,270	256	1,230	4,086	362	55	-	7,231
Gasoline tax	425,289	-	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	-	-	-
Tree replacement fees	-	-	-	-	-	-	-	-	-
Development impact fees	-	79,023	75,615	-	83,652	-	-	-	-
C.O.P.S. - State AB 3229	-	-	-	-	-	-	100,000	-	-
NPDES revenues	-	-	-	-	-	-	-	-	-
Measure C projects	-	-	-	-	-	-	-	984,103	-
Measure J return to source	-	-	-	-	-	-	-	306,353	-
	<u>426,570</u>	<u>82,293</u>	<u>75,871</u>	<u>307,614</u>	<u>87,738</u>	<u>362</u>	<u>100,055</u>	<u>1,290,456</u>	<u>7,231</u>
<b>Expenditures</b>									
Landscaping and street maintenance	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-
Library services	-	-	-	273,422	-	-	-	-	-
Personnel Costs	-	15,466	14,955	-	-	-	-	40,021	-
Transportation infrastr. improvements	253,372	85,702	-	-	-	-	-	1,249,700	-
Capital projects	-	-	-	-	20,000	-	-	-	-
Contract Services	956	-	-	-	-	-	100,055	-	-
Drainage improvements	-	-	43,793	-	-	-	-	-	-
Supplies and Materials	1,147	17,464	160,128	-	-	-	-	(76)	-
Other	-	-	-	-	-	-	-	-	-
	<u>255,475</u>	<u>118,632</u>	<u>218,876</u>	<u>273,422</u>	<u>20,000</u>	<u>-</u>	<u>100,055</u>	<u>1,289,645</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	171,095	(36,339)	(143,005)	34,192	67,738	362	-	811	7,231
Net transfers in (out)	-	-	-	-	-	-	(38,199)	-	-
Excess of revenues over expenditures, net of transfers	171,095	(36,339)	(143,005)	34,192	67,738	362	(38,199)	811	7,231
Fund equity - beginning of year	<u>299,058</u>	<u>748,521</u>	<u>143,361</u>	<u>243,358</u>	<u>930,812</u>	<u>84,692</u>	<u>48,787</u>	<u>273,416</u>	<u>1,611,614</u>
Fund equity - end of year	<u>\$ 470,153</u>	<u>\$ 712,182</u>	<u>\$ 356</u>	<u>\$ 277,550</u>	<u>\$ 998,550</u>	<u>\$ 85,054</u>	<u>\$ 10,588</u>	<u>\$ 274,227</u>	<u>\$ 1,618,845</u>

CITY OF ORINDA  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Non-major Governmental Funds  
 For the Year Ended June 30, 2011

District L-42	District M-9	District M-11	Stormwater	Total
\$ 5,507	\$ 8,455	\$ 38,424	\$ -	\$ 358,770
-	-	-	1,206	18,977
-	-	-	-	425,289
-	-	-	-	-
-	-	-	-	238,290
-	-	-	-	100,000
-	-	-	329,734	329,734
-	-	-	-	984,103
-	-	-	-	306,353
<u>5,507</u>	<u>8,455</u>	<u>38,424</u>	<u>330,940</u>	<u>2,761,516</u>
-	-	23,741	-	23,741
4,231	6,974	15,663	383	27,251
439	705	2,449	-	3,593
-	-	-	-	273,422
120	189	-	304,636	375,387
-	-	-	-	1,588,774
-	-	-	-	20,000
-	-	-	-	101,011
-	-	-	28,280	72,073
-	-	-	6,630	185,293
-	-	17,559	-	17,559
<u>4,790</u>	<u>7,868</u>	<u>59,412</u>	<u>339,929</u>	<u>2,688,104</u>
717	587	(20,988)	(8,989)	73,412
<u>-</u>	<u>-</u>	<u>26,120</u>	<u>(5,250)</u>	<u>(17,329)</u>
717	587	5,132	(14,239)	56,083
<u>3,519</u>	<u>2,245</u>	<u>(5,132)</u>	<u>188,130</u>	<u>4,572,381</u>
<u>\$ 4,236</u>	<u>\$ 2,832</u>	<u>\$ -</u>	<u>\$ 173,891</u>	<u>\$ 4,628,464</u>

	City Capital Projects Fund	Oaksprings AD Improvement Fund	City Hall Project Fund	Federal Grants Fund	State Grants Fund	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ (52,898)	\$ 138,834	\$ -	\$ 289,407	\$ 20,943	\$ 396,286
Cash with fiscal agent	-	-	1,146	-	-	1,146
Accounts receivable	130,070	-	-	-	-	130,070
Accrued interest receivable	-	-	-	-	-	-
Total assets	<u>\$ 77,172</u>	<u>\$ 138,834</u>	<u>\$ 1,146</u>	<u>\$ 289,407</u>	<u>\$ 20,943</u>	<u>\$ 527,502</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 38,001	\$ -	\$ -	\$ -	\$ 14,987	\$ 52,988
Deferred revenue	12,865	-	-	-	-	12,865
Due to other funds	-	-	-	329,938	1,389	331,327
Total liabilities	<u>50,866</u>	<u>-</u>	<u>-</u>	<u>329,938</u>	<u>16,376</u>	<u>397,180</u>
Fund balance:						
Restricted	64,911	138,834	1,146	(40,531)	4,567	168,927
Assigned	(38,605)	-	-	-	-	(38,605)
Total fund balance	<u>26,306</u>	<u>138,834</u>	<u>1,146</u>	<u>(40,531)</u>	<u>4,567</u>	<u>130,322</u>
Total liabilities and fund equity	<u>\$ 77,172</u>	<u>\$ 138,834</u>	<u>\$ 1,146</u>	<u>\$ 289,407</u>	<u>\$ 20,943</u>	<u>\$ 527,502</u>

CITY OF ORINDA  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Capital Projects Funds  
 For the Year Ended June 30, 2011

	City Capital Projects Fund	Oaksprings AD Improvement Fund	City Hall Project Fund	Federal Grants Fund	State Grants Fund	Total
<b>Revenues</b>						
Rent and interest	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3
Other agencies						
State and Federal		-	-	14,739	-	14,739
Miscellaneous	79,317	-	-	-	-	79,317
Total revenue	<u>79,317</u>	<u>-</u>	<u>-</u>	<u>14,739</u>	<u>3</u>	<u>94,059</u>
<b>Expenditures</b>						
Capital outlay for						
Capital improvements	-	-	5,446	-	-	5,446
Transportation infrastructure improvements	491,770	-	-	28,789	-	520,559
Drainage improvements	-	-	-	-	-	-
Total expenditures	<u>491,770</u>	<u>-</u>	<u>5,446</u>	<u>28,789</u>	<u>-</u>	<u>526,005</u>
Excess (deficiency) of revenues over expenditures	<u>(412,453)</u>	<u>-</u>	<u>(5,446)</u>	<u>(14,050)</u>	<u>3</u>	<u>(431,946)</u>
<b>Other financing sources (uses)</b>						
Operating transfers in	337,674	-	-	-	-	337,674
Operating transfers out	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>337,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,674</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(74,779)	-	(5,446)	(14,050)	3	(94,272)
Fund equity - beginning of year	<u>101,085</u>	<u>138,834</u>	<u>6,592</u>	<u>(26,481)</u>	<u>4,564</u>	<u>224,594</u>
Fund equity - end of year	<u>\$ 26,306</u>	<u>\$ 138,834</u>	<u>\$ 1,146</u>	<u>\$ (40,531)</u>	<u>\$ 4,567</u>	<u>\$ 130,322</u>

CITY OF ORINDA  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2011

Exhibit 8

	<u>Information Systems</u>	<u>Buildings Maintenance</u>	<u>Vehicle Replacement</u>	<u>Insurance</u>	<u>Slope Emergency Stabilization</u>	<u>General Plan</u>	<u>Total</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 133,796	\$ 121,039	\$ 164,494	\$ 810,803	\$ 221,254	\$ 297,668	\$ 1,749,054
Interest receivable	80	119	176	694	278	325	1,672
Due from other funds	-	-	-	-	-	-	-
Total current assets	<u>133,876</u>	<u>121,158</u>	<u>164,670</u>	<u>811,497</u>	<u>221,532</u>	<u>297,993</u>	<u>1,750,726</u>
Fixed assets							
Equipment and vehicles	645,774	72,575	870,566	-	-	-	1,588,915
Less: accumulated depreciation	(594,240)	(23,907)	(461,212)	-	-	-	(1,079,359)
Net fixed assets	<u>51,534</u>	<u>48,668</u>	<u>409,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,556</u>
Total assets	<u>\$ 185,410</u>	<u>\$ 169,826</u>	<u>\$ 574,024</u>	<u>\$ 811,497</u>	<u>\$ 221,532</u>	<u>\$ 297,993</u>	<u>\$ 2,260,282</u>
<u>LIABILITIES AND NET ASSETS</u>							
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ 308	\$ -	\$ 53,734	\$ -	\$ -	\$ 54,042
	<u>-</u>	<u>308</u>	<u>-</u>	<u>53,734</u>	<u>-</u>	<u>-</u>	<u>54,042</u>
Net Assets							
Invested in fixed assets	51,534	48,668	409,354	-	-	-	509,556
Reserved for future capital projects	-	-	-	757,763	-	-	757,763
Unreserved	133,876	120,850	164,670	-	221,532	297,993	938,921
Total net assets	<u>185,410</u>	<u>169,518</u>	<u>574,024</u>	<u>757,763</u>	<u>221,532</u>	<u>297,993</u>	<u>2,206,240</u>
Total liabilities and net assets	<u>\$ 185,410</u>	<u>\$ 169,826</u>	<u>\$ 574,024</u>	<u>\$ 811,497</u>	<u>\$ 221,532</u>	<u>\$ 297,993</u>	<u>\$ 2,260,282</u>

CITY OF ORINDA  
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

	Information Systems	Building Maintenance	Vehicle Replacement	Insurance	Slope Emergency Stabilization	General Plan	Total
Operating revenues							
Charges to operating departments	\$ 39,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,385
Other	-	-	2,092	-	-	-	2,092
Total operating revenues	<u>39,385</u>	<u>-</u>	<u>2,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,477</u>
Operating expenses							
Depreciation expense	123,387	(21,380)	84,741	-	-	-	186,748
Insurance expense	-	-	-	67,417	-	-	67,417
Other	5,836	4,449	(11,675)	-	-	11,242	9,852
Total operating expenses	<u>129,223</u>	<u>(16,931)</u>	<u>73,066</u>	<u>67,417</u>	<u>-</u>	<u>11,242</u>	<u>264,017</u>
Operating income	<u>(89,838)</u>	<u>16,931</u>	<u>(70,974)</u>	<u>(67,417)</u>	<u>-</u>	<u>(11,242)</u>	<u>(222,540)</u>
Non-operating revenues (expenses)							
Interest and rent	303	509	883	3,314	1,493	1,379	7,881
Total non-operating revenue	<u>303</u>	<u>509</u>	<u>883</u>	<u>3,314</u>	<u>1,493</u>	<u>1,379</u>	<u>7,881</u>
Income before contributions and transfers	(89,535)	17,440	(70,091)	(64,103)	1,493	(9,863)	(214,659)
Transfers out	-	-	-	-	-	-	-
Transfers in	39,324	17,200	110,697	243,020	-	-	410,241
Change in net assets	(50,211)	34,640	40,606	178,917	1,493	(9,863)	195,582
Net assets - beginning	<u>235,621</u>	<u>134,878</u>	<u>533,418</u>	<u>578,846</u>	<u>220,039</u>	<u>307,856</u>	<u>2,010,658</u>
Net assets - ending	<u>\$ 185,410</u>	<u>\$ 169,518</u>	<u>\$ 574,024</u>	<u>\$ 757,763</u>	<u>\$ 221,532</u>	<u>\$ 297,993</u>	<u>\$ 2,206,240</u>