



CITY OF ORINDA

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2012

(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, 2012. 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 statements, which follow this discussion. 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 ended the fiscal year with a balanced budget and a healthy General Fund reserve and fund balance. Through prudent budget planning, service levels were maintained and operating expenses were reduced. In July 2012, the City Council adopted the Ten Year Road and Drainage Repairs Plan. This plan consists of four phases in which the City will fund, plan and manage the construction and repair of public roads and drains. The first phase includes the passage of a half-cent sales tax increase which was approved by voters in the November 2012 election.

The City's desirable location and relatively stable real estate market make it less vulnerable to the effects of an economic downturn. Although the City has had a slight decline in property tax revenue, it has not suffered the significant declines faced by many other cities in Contra Costa County. The City's sales tax revenue increased by 3.7% over the prior year which is consistent with the overall increase in sales tax across Contra Costa County and reflects the increased consumer confidence seen throughout the state. The City provides funding for its Capital Improvement Program on a pay-as-you-go basis including maximizing grant funding when available.

The following are some key highlights of note:

1. At the end of Fiscal Year (FY) 2011/12, the unassigned fund balance for the General Fund was \$6,338,067. The General Fund operating results for the fiscal year was a surplus of \$218,384. City staff held expenditures below budget resulting in a favorable variance of \$182,927.
2. The City's total assets exceeded its liabilities by \$51,102,518 (net position) for FY 2011/12. This compares to assets exceeding liabilities by \$51,680,496 in FY 2010/11, a decrease of \$577,978. Total net position is comprised of the following:

- a. Investment in capital assets, net of related debt of \$36,000,832, includes parklands, buildings, furniture and equipment and infrastructure, all net of accumulated depreciation and debt.
 - b. Net assets of \$6,990,977 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 (\$0.94 million), Measure J (\$0.72 million), Transportation Impact Fees (\$0.69 million) and other Special Revenue Funds (\$0.52 million).
 - c. Unrestricted net position of \$8,110,709 for all funds represents the portion available to maintain the City's continuing obligations to citizens and creditors.
3. The General Fund unrestricted reserve including the current year surplus funded: 1) a transfer of \$229,665 to the Capital Projects Fund for the Glorietta Drain project; and 2) transfers to other Internal Service Funds to fund future replacement and repair costs for computer systems, vehicles, equipment and buildings.

FINANCIAL ANALYSIS OF GENERAL FUND

Fund Balance

The General Fund is the primary operating fund of the City. The City Council has set a General Fund reserve policy which requires an operating reserve of 50%, but no less than \$5,000,000, of the annual General Fund operating revenue. The reserve is fully funded at June 30, 2012.

As of June 30, 2012, the fund balance was \$8,838,067 (\$9,000,341 in FY 2010/11), a decrease of \$162,274 in FY 2011/12 (decrease of \$324,389 in FY 2010/11) compared to the prior year. Of the fund balance, \$6,338,067 (\$6,110,161 in FY 2010/11) is unassigned.

Revenues

Property tax assessments are the largest revenue source for the City. Currently, the City receives approximately 7% of property taxes paid by its residents. Sales tax is also an important revenue source of the City. Sales tax revenue increased approximately 3.7% 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.

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 (\$3,585,650, 37.7%) – contracted through the County; 2) Parks and Recreation, including facilities maintenance (\$2,041,796, 21.5%) and 3) Public Works and Engineering (\$1,309,715, 13.8%).

THE CITY AS A WHOLE

The *Statement of Net Position* 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 position (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 position 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 Position* and the *Statement of Activities* presents 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 POSITION

The City's net position has slowly grown until the past two years. In the current year, net position decreased by \$577,978, versus a decrease of \$309,475 in FY 2010/11. The ending position at June 30, 2012 was \$51,102,518. The following table provides a summary of the City's net position for all funds at June 30, 2012 compared to June 30, 2011.

Summary of Net Position Fiscal Years 2011/12 and 2010/11 Primary Government Activities

	2011/12	2010/11	% Increase (Decrease)
Current and other assets	\$14,307,561	\$15,043,394	(4.7%)
Restricted assets	2,501,146	2,501,146	-
Capital assets	44,539,347	44,978,901	(1.0%)
Total assets:	\$61,348,054	\$62,523,441	(1.8%)
Current liabilities	\$ 1,119,091	\$ 1,481,054	(24.4%)
Long-term liabilities	9,126,445	9,361,891	(2.5%)
Total liabilities:	\$10,245,536	\$10,842,945	(5.5%)
<u>Net position</u>			
Invested in capital assets, net of related debt	\$36,000,832	\$36,224,685	(0.6%)
Restricted	6,990,977	8,272,649	(15.5%)
Unrestricted	8,110,709	7,183,162	12.9%
Total net position	51,102,518	51,680,496	(1.1%)
Ending net position and liabilities	\$61,348,054	\$62,523,441	(1.9%)

STATEMENT OF ACTIVITIES

In the *Statement of Activities* (page 4), 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. FY 2011/12 revenues show a decrease when compared to the prior year mainly due to the large one-time grant received in FY 2010/11. The following table provides a summary of the City's Statement of Activities for FY 2011/12 and 2010/11 with the variance percentage between the two years.

Summary of Change in Net Position: Primary Government Activities Fiscal Years 2011/12 and 2010/11

	<u>2011/12</u>	<u>2010/11</u>	<u>% Increase (Decrease)</u>
<u>Revenues:</u>			
Program revenues:			
Charges for services	\$4,076,635	\$3,924,326	3.9%
Operating grants and Contributions	125,582	113,449	10.7%
Capital Grants and Contributions	431,052	1,384,512	(68.9%)
General revenues:			
Sales Tax	890,759	858,852	3.7%
Franchise and Transfer Fees	1,100,776	1,185,146	(7.7%)
Property Tax	4,837,138	4,993,079	(3.1%)
Vehicle License Fees (VLF)	8,839	81,738	(89.2%)
Rent and Interest	153,896	122,585	25.5%
Realized gain (loss) on investments	-	150,305	(100%)
Unrealized gain (loss) on investments	(73,402)	(193,078)	(62.0%)
Capital contributions	360,000	0	
Other	55,648	48,482	14.8%
Total Revenues	<u>11,966,923</u>	<u>12,862,474</u>	(7.0 %)
<u>Expenditures:</u>			
City Manager	418,235	466,669	(10.4%)
City Attorney	345,569	313,517	10.2%
City Clerk	174,077	197,798	(12.0%)
Administrative Services	748,740	876,333	(14.2%)
Police	3,717,016	3,854,659	(3.7%)
Public Works and Engineering Services	952,927	1,058,417	(10.0%)
Parks and Recreation	2,159,879	2,201,331	(1.9%)
Planning	769,492	843,422	(8.8%)
Special districts	344,590	351,502	(2.0%)
Interest on long-term debt	406,959	405,185	.04%
Capital improvements	2,507,417	2,410,038	4.0%
Total Expenditures	<u>12,544,901</u>	<u>12,978,871</u>	(3.3%)
Change in net position	(577,978)	(116,399)	(496.5 %)
Beginning net position	<u>51,680,496</u>	<u>51,989,971</u>	(0.6%)
Ending net position	<u>\$51,102,518</u>	<u>\$51,680,496</u>	(1.1%)

Overall, total revenue decreased 7.0% in comparison to the prior year. The most significant changes in revenues are: 1) the reduction of grant revenues - the grant revenues received in FY 2011 were one time only; and 2) the loss of VLF fees as a result of state action; and 3) a 7.7% decline in franchise and transfer fee revenue.

Expenditures in all departments were reduced except for a slight increase in City Attorney expenditures due to defending litigation and increased capital improvements related to the pavement rehabilitation project. The Lighting and Landscaping Assessment District is self-funded with the exception of Zone M-11 which does not have an annual adjustment factor, and 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 of gain or loss that would be realized if the investments were to be sold on the last day of the fiscal year. The City's unrealized loss on investments was \$73,402 in Fiscal Year 2011/12. 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

In FY 2010/11, governmental entities were required to implement the provisions of GASB 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, 2012, the City's governmental fund types (see pages 5 and 6) included combined ending fund balances of \$13,329,044 (\$13,759,127 in FY 2010/11). Of this balance, \$6,990,977 (\$6,689,749 in FY 2010/11) of these funds are "restricted", which means that they have been conditionally committed to specific programs by their sources. The remaining balance of \$6,338,067 is unassigned and may be committed at the discretion of the City Council or assigned by Management for specific use.

Capital Assets

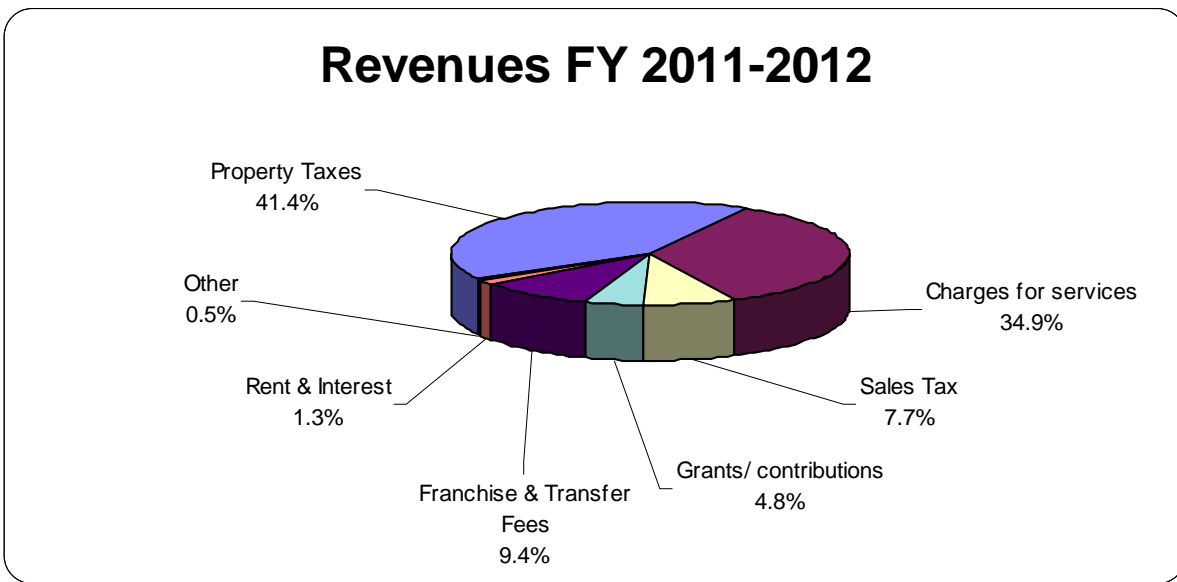
The City's investment in capital assets as of June 30, 2012, totaled \$44,539,347 (\$44,978,901 in FY 2010/11), net of accumulated depreciation of \$58,998,604 (\$56,394,527 in FY 2010/11). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and bridges. The fixed assets summary can be found on page 28 of the notes to the financial statements.

Major capital asset additions during FY 2011/12 included:

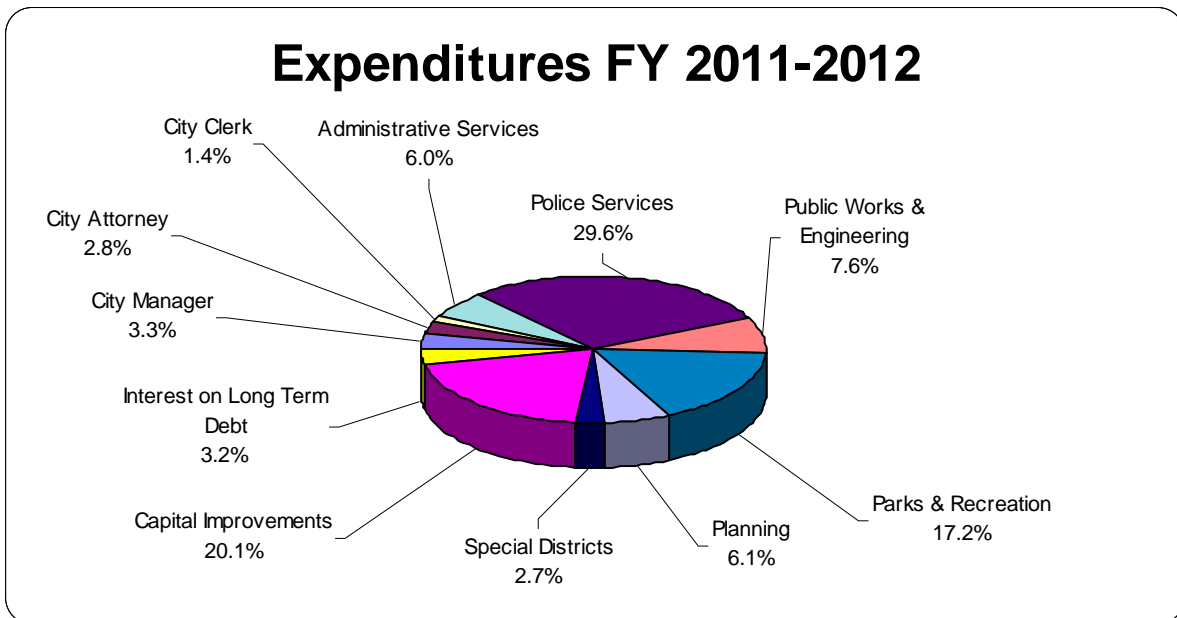
- Annual Pavement Management projects \$964,078;
- Maintenance Facility Building \$397,683;
- Annual Drainage Facilities Improvement projects \$317,291; and
- Moraga Way Improvements \$1,338,285.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for FY 2011/12.

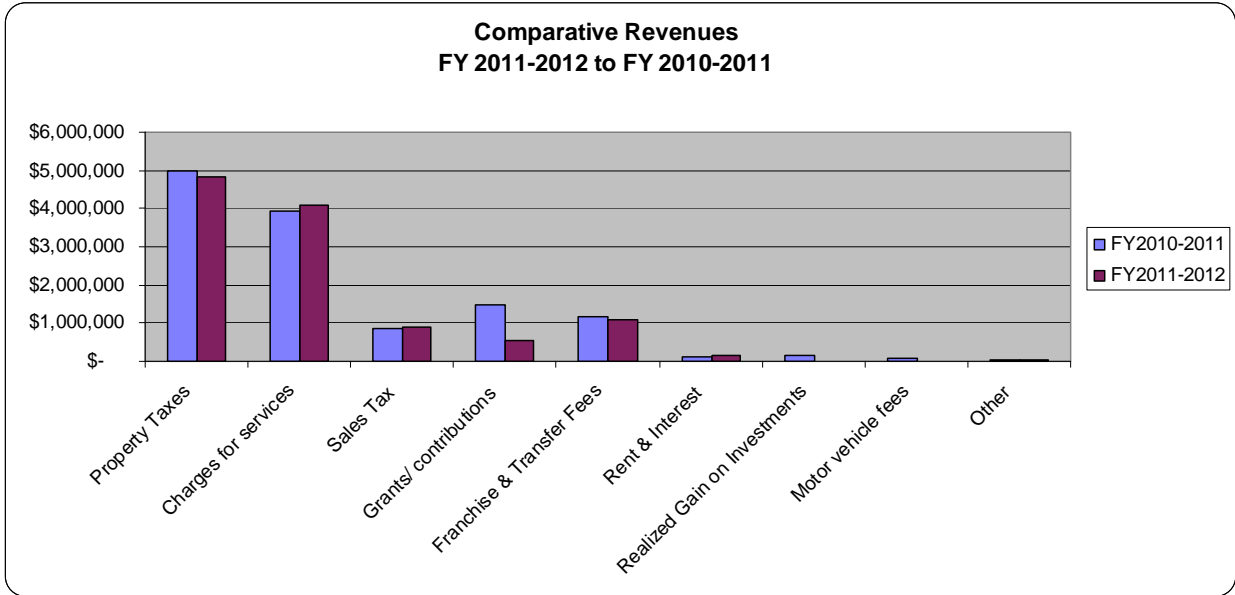
CITYWIDE GOVERNMENTAL REVENUES



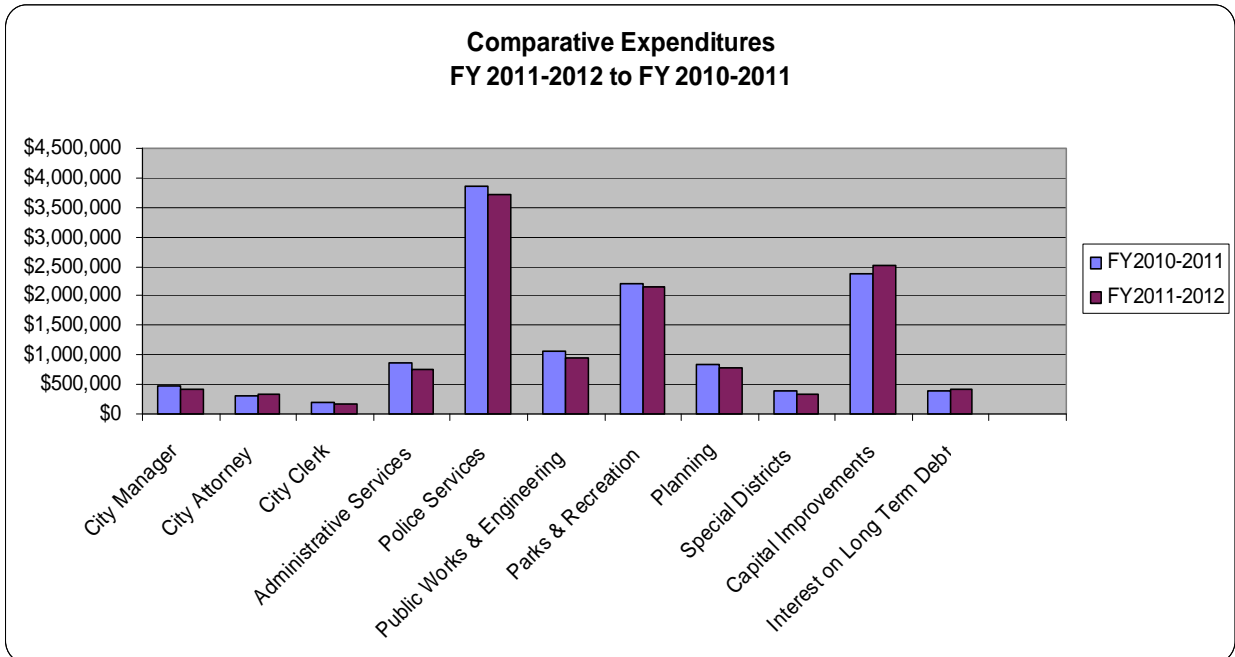
CITYWIDE GOVERNMENTAL FUNCTIONAL EXPENDITURES



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 5 through 8 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 Position* and the *Statement of Activities* and governmental funds statement is reconciled on the far right of pages 6 and 8.
2. *Internal Service funds:* These funds make up the internal services part of primary governmental activities. Summary financial detail is provided on pages 9 through 11, as well as additional, more detailed information on page 47 and 48.

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 fund balance for the fund at FY 2011/12 year-end was \$131,899 (\$185,410 in FY 2010/11).
- 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 fund balance at FY 2011/12 year-end was \$186,713 (\$169,518) in FY 2010/11).
- 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 balance at FY 2011/12 year-end was \$595,790 (\$574,024 in FY 2010/11).
- 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 of 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 2011/12 year-end was \$746,387 (\$757,763 in FY 2010/11).

- 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 2011/12 year-end was \$222,140 (\$221,532 in FY 2010/11).
 - f. General Plan Update Fund: The City's General Plan was adopted on May 20, 1987. The State provides for 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. In anticipation of an update, the City Council has put aside money in past years. The General Plan Update fund balance at FY 2011/12 year-end was \$298,818 (\$297,993 in FY 2010/11).
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 Position on page 12. 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.

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 the City has obtained Federal and State grants when available. This effort has brought the arterials to a Pavement Condition Index (PCI) of 79, which reflects they are in "good" condition. The collectors have a current PCI of 64, which reflects they are in "fair" condition. The residential roads have a current PCI of 39, which indicates they are in "poor" condition.

To address this issue, 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, the 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. Based on this input, the City Council approved a sales tax measure for the November 2012 election. The measure was passed with a 69% approval by the residents. The City will begin receiving funds from the new tax measure in September 2013. At the Council's direction, 100% of the new revenue will be appropriated annually to fund improvements to the City's road and drainage infrastructure.

Budget

A budget analysis of the General Fund, including original budget, amended budget, actual, and variance from amended budget is presented on page 38.

Direct revenues of \$9,726,870, not including accrual of unrealized gains/losses on investments, had a favorable variance of 0.4% (1.5% favorable in FY 2010/11) and direct expenses of \$9,508,486 had a favorable variance of 1.9% (8.7% favorable in FY 2010/11) from the amended operating budget (see page 38).

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 FY 2011/12 and 2012/13. The amended biennial budget for FY 2012/13 is comprised of the General Fund revenue of \$9.80 million and other governmental funds of \$0.82 million, which is relatively flat compared to FY 2011/12.

The Fiscal Year 2012/13, Amended General Fund budgeted expenses increased \$113,391 in comparison to the Fiscal Year 2011/12 amended budget. The assessed property valuations for Fiscal Year 2012/13 have increased approximately 1.0%. The City Council and staff will revisit the Fiscal Year 2012/13 budget and it will be rebalanced at the Mid-Year budget review in January 2013.

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
(925) 253-4220

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, 2012, 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, 2012, 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 38 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

Walnut Creek, California
November 28, 2012

Basic Financial Statements

CITY OF ORINDA
Statement of Net Position
June 30, 2012

Statement 1

	<u>Primary Government</u>
	Governmental
<u>ASSETS</u>	Activities
Cash and cash equivalents	\$ 8,236,658
Investments	4,048,201
Accounts receivable	1,655,045
Accrued interest receivable	32,804
COP prepaid issuance costs	216,485
Prepaid items and deposits	118,368
Total current assets	14,307,561
 Restricted Assets	
Cash with fiscal agent	1,146
Investments	2,500,000
Total restricted assets	2,501,146
 Capital assets, net of accumulated depreciation	
Park land and improvements	1,295,205
Buildings, grounds and improvements	22,357,707
Furniture and equipment	407,470
Infrastructure	18,603,282
Work in progress	1,875,683
Total capital assets, net	44,539,347
Total assets	\$ 61,348,054
 <u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 882,173
Deferred revenue	229,612
Planning and engineering deposits	7,306
Total current liabilities	1,119,091
 Noncurrent liabilities:	
COP payable	8,755,000
Accrued compensated absences	371,445
Total noncurrent liabilities	9,126,445
Total liabilities	10,245,536
 <u>NET POSITION</u>	
Invested in capital assets, net of related debt	36,000,832
Restricted	6,990,977
Unrestricted	8,110,709
Total net position	51,102,518
Total liabilities and net position	\$ 61,348,054

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

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Primary Government</u>					
<i>Governmental Activities:</i>					
City management	\$ 418,235	\$ -	\$ -	\$ -	(418,235)
City attorney	345,569	-	-	-	(345,569)
City clerk	174,077	-	-	-	(174,077)
Administrative services	748,740	41,871	-	-	(706,869)
Police services	3,717,016	200,175	125,582	-	(3,391,259)
Public works and engineering	952,927	782,238	-	-	(170,689)
Parks and recreation	2,159,879	1,552,197	-	-	(607,682)
Planning	769,492	512,110	-	-	(257,382)
Lighting and landscaping district	67,821	47,549	-	-	(20,272)
Library operations	276,769	303,029	-	-	26,260
Capital improvements	703,564	-	-	-	(703,564)
Transportation infrastr. improvements	1,699,239	637,466	-	431,052	(630,721)
Drainage improvements	104,614	-	-	-	(104,614)
Interest on bonds payable	406,959	-	-	-	(406,959)
Principal payments on bonds	-	-	-	-	-
Other	-	-	-	-	-
Total primary government	<u>\$ 12,544,901</u>	<u>\$ 4,076,635</u>	<u>\$ 125,582</u>	<u>\$ 431,052</u>	<u>(7,911,632)</u>
General revenues:					
					4,837,138
					890,759
					976,030
					124,746
					8,839
					153,896
					-
					(73,402)
					55,648
					<u>6,973,654</u>
					(937,978)
					<u>360,000</u>
					(577,978)
					<u>51,680,496</u>
					<u>\$ 51,102,518</u>

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

	Governmental Fund Types		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Capital Projects Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,357,634	\$ 3,952,921	\$ 138,834
Investments	4,048,201	-	-
Accounts receivable	565,159	682,563	407,323
Accrued interest receivable	28,838	2,539	374
Prepaid items and deposits	116,048	2,320	-
Total unrestricted assets	<u>7,115,880</u>	<u>4,640,343</u>	<u>546,531</u>
Restricted assets:			
Cash deposits	-	-	1,146
Investments	2,500,000	-	-
Total restricted assets	<u>2,500,000</u>	<u>-</u>	<u>1,146</u>
Total assets	<u>\$ 9,615,880</u>	<u>\$ 4,640,343</u>	<u>\$ 547,677</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable and accrued liabilities	\$ 781,084	\$ 79,295	\$ 6,114
Accrued administrative leave	371,445	-	-
Deferred revenue	229,612	-	-
Due to (from) other funds	(611,634)	165,035	446,599
Planning and engineering deposits	7,306	-	-
Total liabilities	<u>777,813</u>	<u>244,330</u>	<u>452,713</u>
Fund balances			
Restricted	2,500,000	4,396,013	94,964
Committed	-	-	-
Assigned	-	-	-
Unassigned*	6,338,067	-	-
Total fund balances	<u>8,838,067</u>	<u>4,396,013</u>	<u>94,964</u>
Total liabilities and fund balances	<u>\$ 9,615,880</u>	<u>\$ 4,640,343</u>	<u>\$ 547,677</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, 2012

	Total																																																																																																																	
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 5%;">\$</td><td style="width: 15%;">6,449,389</td><td style="width: 80%;"></td><td style="width: 10%;"></td></tr> <tr><td></td><td>4,048,201</td><td></td><td></td></tr> <tr><td></td><td>1,655,045</td><td></td><td></td></tr> <tr><td></td><td>31,751</td><td></td><td></td></tr> <tr><td></td><td>118,368</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">12,302,754</td><td></td><td></td></tr> <tr><td></td><td>1,146</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">2,500,000</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">2,501,146</td><td></td><td></td></tr> <tr><td style="border-top: 1px solid black;">\$</td><td style="border-top: 1px solid black;">14,803,900</td><td></td><td></td></tr> <tr><td>\$</td><td>866,493</td><td></td><td></td></tr> <tr><td></td><td>371,445</td><td></td><td></td></tr> <tr><td></td><td>229,612</td><td></td><td></td></tr> <tr><td></td><td>-</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">7,306</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">1,474,856</td><td></td><td></td></tr> <tr><td></td><td>6,990,977</td><td></td><td></td></tr> <tr><td></td><td>-</td><td></td><td></td></tr> <tr><td></td><td>-</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">6,338,067</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">13,329,044</td><td></td><td></td></tr> <tr><td style="border-top: 1px solid black;">\$</td><td style="border-top: 1px solid black;">14,803,900</td><td></td><td></td></tr> </table>	\$	6,449,389				4,048,201				1,655,045				31,751				118,368				12,302,754				1,146				2,500,000				2,501,146			\$	14,803,900			\$	866,493				371,445				229,612				-				7,306				1,474,856				6,990,977				-				-				6,338,067				13,329,044			\$	14,803,900			<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="padding-left: 20px;">Amounts reported for governmental activities in the statement of net position are different because:</td> <td style="width: 10%;"></td> </tr> <tr> <td style="padding-left: 20px;">Total fund balances per Governmental Funds Balance Sheet</td> <td style="width: 60%;"></td> <td style="text-align: right; vertical-align: bottom;">\$ 13,329,044</td> </tr> <tr> <td style="padding-left: 20px;">Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Position, less accumulated depreciation</td> <td></td> <td style="text-align: right; vertical-align: bottom;">44,130,242</td> </tr> <tr> <td style="padding-left: 20px;">Internal service fund equity (including \$409,105 in fixed assets) (statement 5)</td> <td></td> <td style="text-align: right; vertical-align: bottom;">2,181,747</td> </tr> <tr> <td style="padding-left: 20px;">Proceeds from bond issuance</td> <td></td> <td style="text-align: right; vertical-align: bottom;">(9,800,000)</td> </tr> <tr> <td style="padding-left: 20px;">Principal reduction applied to liability</td> <td></td> <td style="text-align: right; vertical-align: bottom;">1,045,000</td> </tr> <tr> <td style="padding-left: 20px;">Bond issuance costs-unamortized</td> <td></td> <td style="text-align: right; vertical-align: bottom; border-top: 1px solid black;">216,485</td> </tr> <tr> <td style="padding-left: 20px;">Total net position per Statement of Net Position</td> <td></td> <td style="text-align: right; vertical-align: bottom; border-top: 1px solid black; border-bottom: 3px double black;">\$ 51,102,518</td> </tr> </table>	Amounts reported for governmental activities in the statement of net position are different because:			Total fund balances per Governmental Funds Balance Sheet		\$ 13,329,044	Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Position, less accumulated depreciation		44,130,242	Internal service fund equity (including \$409,105 in fixed assets) (statement 5)		2,181,747	Proceeds from bond issuance		(9,800,000)	Principal reduction applied to liability		1,045,000	Bond issuance costs-unamortized		216,485	Total net position per Statement of Net Position		\$ 51,102,518	
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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	\$ 4,800,887	\$ 350,578	\$ -
Sales tax	890,759	-	-
Franchise tax	976,030	-	-
Property transfer tax	124,746	-	-
Rent and interest	178,606	11,641	1,203
Recreation fees			
Recreation class fees	1,087,682	-	-
OYA sports fees	239,398	-	-
Wagner Ranch sports fees	77,458	-	-
Other	147,659	-	-
Service fees			
Vehicle fees and parking fines	175,048	6,000	-
NPDES	-	319,331	-
Building inspection	274,826	-	-
Planning	237,284	-	-
Public works and engineering	462,907	-	-
Police	25,126	-	-
Other agencies			
Federal	-	-	21,550
State and local	8,989	116,593	-
Gasoline taxes	-	507,348	-
Homeowners tax reimbursement	36,251	-	-
Vehicle licenses fees	8,839	-	-
Measure J - return to source	-	396,635	-
Development impact fees	-	130,119	-
Miscellaneous	47,777	4,750	12,867
Realized gain (loss) on investments	-	-	-
Unrealized gain (loss) on investments	(73,402)	-	-
Total revenues	<u>9,726,870</u>	<u>1,842,995</u>	<u>35,620</u>
Expenditures			
City management	418,235	-	-
City attorney	345,569	-	-
City clerk	174,077	-	-
Administrative services	242,552	492,005	-
Parks and recreational department	2,041,796	-	-
Public works and engineering	1,309,715	-	-
Police services	3,585,650	-	-
Planning department	765,488	-	-
Capital improvements	-	108,163	-
Lighting and landscaping district	-	67,821	-
Transportation infrastructure improvements	-	1,137,071	296,076
Library operations	2,744	274,025	-
Drainage Improvements	-	23,021	-
Debt Service:			
Interest	397,660	-	-
Principal payments on bonds	225,000	-	-
Total expenditures	<u>9,508,486</u>	<u>2,102,106</u>	<u>296,076</u>
Excess (deficiency) of revenues over expenditures	<u>218,384</u>	<u>(259,111)</u>	<u>(260,456)</u>
Other financing sources (uses)			
Operating transfers - in	161,361	26,660	229,665
Operating transfers - out	(542,019)	-	(4,567)
Total other financing sources (uses)	<u>(380,658)</u>	<u>26,660</u>	<u>225,098</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(162,274)	(232,451)	(35,358)
Fund balance - beginning of year	<u>9,000,341</u>	<u>4,628,464</u>	<u>130,322</u>
Fund balance - end of year	<u>\$ 8,838,067</u>	<u>\$ 4,396,013</u>	<u>\$ 94,964</u>

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

<p>Total Governmental Funds</p> <hr/> <p>\$ 5,151,465 890,759 976,030 124,746 191,450</p> <p>1,087,682 239,398 77,458 147,659</p> <p>181,048 319,331 274,826 237,284 462,907 25,126</p> <p>21,550 125,582 507,348 36,251 8,839 396,635 130,119 65,394 - (73,402)</p> <hr/> <p>11,605,485</p> <p>418,235 345,569 174,077 734,557 2,041,796 1,309,715 3,585,650 765,488 108,163 67,821 1,433,147 276,769 23,021</p> <p>397,660 225,000</p> <hr/> <p>11,906,668</p> <p>(301,183)</p> <hr/> <p>417,686 (546,586) (128,900)</p> <hr/> <p>(430,083)</p> <hr/> <p>13,759,127</p> <hr/> <p>\$ 13,329,044</p>	<p>Amounts reported to governmental activities in the Statement of Activities are different because:</p> <p>Net change in fund balances - total governmental funds \$ (430,083)</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;">1,803,887</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Depreciation expense</td> <td style="text-align: right;">(2,502,990)</td> <td style="text-align: right;">(699,103)</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> <p>Principal reduction applied to COP bonds liability 225,000</p> <p>Amortization of prepaid bond costs (9,299)</p> <p>Capital contribution 360,000</p> <p>Net change in fund balance - internal service fund (Statement 6) <u>(24,493)</u></p> <p>Change in net position (Statement 2) <u>\$ (577,978)</u></p>	Cost of capital assets - additions	1,803,887		Depreciation expense	(2,502,990)	(699,103)
Cost of capital assets - additions	1,803,887						
Depreciation expense	(2,502,990)	(699,103)					

The accompanying notes are an integral of these financial statements

CITY OF ORINDA
Statement of Net Position
Internal Service Funds
June 30, 2012

Statement 5

	<u>Internal Service Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,787,269
Interest receivable	1,053
Property and equipment, net of accumulated depreciation	<u>409,105</u>
Total assets	<u>\$ 2,197,427</u>
<u>LIABILITIES AND NET POSITION</u>	
Accounts payable and accrued liabilities	\$ <u>15,680</u>
Total liabilities	<u>15,680</u>
Net Position	
Invested in capital assets	409,105
Reserved for	
Future capital projects	746,387
Unreserved - undesignated	<u>1,026,255</u>
Total net position	<u>2,181,747</u>
Total liabilities and net position	<u>\$ 2,197,427</u>

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

CITY OF ORINDA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2012

Operating revenues	
Charges to operating departments	\$ 4,640
Total operating revenues	<u>4,640</u>
Operating expenses	
Depreciation	124,913
Insurance	13,211
Other	21,347
Total operating expenses	<u>159,471</u>
Operating income	<u>(154,831)</u>
Non-operating revenues (expenses)	
Interest	4,317
Loss on disposal of fixed assets	<u>(2,879)</u>
Total non-operating revenue	<u>1,438</u>
Income before contributions and transfers	(153,393)
Transfers out	-
Transfers in	<u>128,900</u>
Change in net position	(24,493)
Total net position - beginning	<u>2,206,240</u>
Total net position - ending	<u>\$ 2,181,747</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, 2012

Statement 7

Cash flows from operating activities	
Operating revenue	\$ 7,519
Operating expenses	<u>(72,920)</u>
Net cash provided by operating activities	<u>(65,401)</u>
Cash flows from noncapital financing activities	
Transfers from other funds, net	<u>128,900</u>
Net cash provided by noncapital and related financing activities	<u>128,900</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(27,341)
Loss on disposal of fixed assets	<u>(2,879)</u>
Net cash used by capital and related financing activities	<u>(30,220)</u>
Cash flows from investing activities	
Interest received	<u>4,936</u>
Net cash provided by investing activities	<u>4,936</u>
Net increase (decrease) in cash and cash equivalents	38,215
Cash and cash equivalents	
Beginning of year	<u>1,749,054</u>
End of year (statement 5)	<u>\$ 1,787,269</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (154,831)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	124,913
Loss on disposal of fixed assets	2,879
Decrease in accounts payable and accrued liabilities	<u>(38,362)</u>
Net cash provided by operating activities	<u>\$ (65,401)</u>

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

	Planning and Engineering Deposits	Oaksprings Assessment District Debt Service	Total Trust and Agency Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,821,820	\$ 591,919	\$ 2,413,739
Prepays items and deposits	-	656	656
Accounts receivable	294,357	-	294,357
Interest receivable	-	400	400
 Total assets	 \$ 2,116,177	 \$ 592,975	 \$ 2,709,152
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 7,511	\$ 69	\$ 7,580
Deposits	2,108,666	-	2,108,666
Due to bond holders - reserve fund	-	376,074	376,074
Due to bond holders - debt service	-	216,832	216,832
 Total liabilities	 \$ 2,116,177	 \$ 592,975	 \$ 2,709,152

The accompanying notes are an integral part of these financial statements

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CITY OF ORINDA
Notes to Basic Financial Statements
June 30, 2012
Index

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses

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- B. Deposits and Investments Laws and Regulations
- C. Revenue Restrictions
- D. Fund Equity (Deficit)
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- E. Interfund Transactions and Balances
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- B. Risk Management
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- D. Wilder Project
- E. New Accounting Pronouncements
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CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 Position 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, 2012.*

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 position 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.*

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 - \$2,116,177
- Oaksprings Assessment District - \$592,975

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

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 Position 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 position (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 position. *The City has 6 internal service funds (see p 47 and 48) 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 Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 Position 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 Position, 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 p as presented in these statements to the net position 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.

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 Position, “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 Position. 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, 2012.

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.

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

<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.

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 position 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 position*—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position*—All other net position that 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:

- *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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

- *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

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 (including the city) 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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

Sales tax

The State presently levies a 8.25% sales tax (as of June 30, 2012) 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 8.25% 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, 2012

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 "Non-major Governmental"
Transportation impact	Local ordinance – included in “Non-major Governmental”
Drainage impact	Local ordinance – included in “Non-major Governmental”
Library	Local ordinance – included in “Non-major Governmental”
Park dedication	Local ordinance – included in “Non-major Governmental”
Tree mitigation	Local ordinance – included in “Non-major Governmental”
Measure J	County proposition - included in “Non-major Governmental”
SLESF (AB 3229)	State law – included in “Non-major Governmental”
Stormwater (NPDES)	State law – included in “Non-major Governmental”
Light and landscaping districts	Local ordinance – included in “Non-major 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”). It is the City’s practice not to waive the collateral 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 until December 31, 2012.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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, 2012, 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 45) had a deficit balance of \$18,708 at June 30, 2012.

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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, 2012:

<u>Cash and Cash Equivalents:</u>		<u>Moody Rating</u>
Cash deposits in bank checking accounts	\$ 1,288,254	N/A
Investment account cash	1,013,142	N/A
Petty Cash	830	N/A
Local Agency Investment Fund - State of California	<u>8,348,171</u>	N/A
Total Cash and Cash Equivalents	<u>10,650,397</u>	
 <u>Investments</u>		
Investment in CDs maturing in January 2013 to May 2017	5,523,501	
Investment in U.S. Treasury Notes and Corporate Bonds, at market value, maturing Sept. 2012 to August 2013, Par \$1,250,000 (see listing which follows)	<u>1,024,700</u>	Aaa
Total Investments	6,548,201	
Guaranteed investment contract	<u>1,146</u>	Aaa
Total Cash and Investments	<u>\$ 17,199,744</u>	
 <u>Reconciliation to Financial Statements:</u>		
<i>Governmental Funds Balance Sheet (Statement 3):</i>		
Cash and cash equivalents	\$ 6,449,389	
Investments	4,048,201	
Cash and investments – restricted	<u>2,501,146</u>	
	12,998,736	
<i>Internal Service Funds (Statement 5)</i>		
Cash and cash equivalents	1,787,269	
<i>Fiduciary Funds (Statement 8)</i>		
Cash and cash equivalents	<u>2,413,739</u>	
Total cash and investments	<u>\$ 17,199,744</u>	
 <i>Statement 1:</i>		
Cash and cash equivalents	\$ 8,236,658	
Investments	4,048,201	
Restricted – cash and investments	<u>2,501,146</u>	
	14,786,005	
 <i>Statement 8:</i>		
Fiduciary Funds – cash and cash equivalents	<u>2,413,739</u>	
	<u>\$ 17,199,744</u>	

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

The City's investments with the Local Agency Investment Fund (LAIF) at June 30, 2012, 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, 2012, the City had \$8,348,171 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, 2012 Market Value	Moody's Ratings
<u>Corporate Bonds</u>					
Berkshire Hathaway	250,000	5.125	09/15/12	252,375	Aa2
General Electric	250,000	5.0	02/01/13	256,375	Aa3
Johnson & Johnson	250,000	3.8	05/15/13	257,688	Aaa
	750,000			766,438	
<u>U. S. Treasury</u>					
U.S. Treasury notes	250,000	3.125	08/31/13	258,262	Aaa
	250,000			258,262	
	\$ 1,000,000			\$ 1,024,700	

At June 30, 2012, the book amount of the City's deposits were \$1,288,253; however, bank balances before outstanding checks were \$1,981,029 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.

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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 the maximum allowed by FDIC per institution.	100%
Local Agency Investment Fund (State Pool) Demand Deposits	100%
Passbook Savings Account Demand Deposits not to exceed the maximum allowed by FDIC per institution.	100%
Shares of beneficial interest issued by Diversified Management Companies (Mutual funds). No more than 10% in any one mutual fund.	20%
Money Market Demand Accounts	100%
Banker Acceptances, maximum of 180 days (maximum 30% of pool with 1 agency).	40%
Commercial Paper, maximum 270 days of Prime Quality (not more than 10% of outstanding paper of an issuing corporation).	25%
Medium-term corporate notes	30%

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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, 2012. They include:

CCTA- Measure J	\$ 664,061
CALEMA	133,684
Municipal Pooling Authority	130,071
Comcast – Franchise Fees	83,367
Developers	82,579
Miscellaneous under \$75,000	712,700
Allowance for Bad Debts	<u>(151,417)</u>
	<u>\$ 1,655,045</u>

3. C. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows (including General Fund assets and Internal Service Fund fixed assets):

	Balance July 1, 2011	Additions	Dispositions	Balance June 30, 2012
<u>Assets</u>				
Parkland & improvements	\$ 1,295,205	\$ -	\$ -	\$ 1,295,205
Buildings, grounds & improvements	28,013,828	790,146	-	28,803,974
Furniture & equipment	2,408,515	50,437	(28,100)	2,430,852
Infrastructure	66,015,584	3,116,653	-	69,132,237
Work in progress	3,640,296	(1,764,613)	-	1,875,683
	<u>101,373,428</u>	<u>2,192,623</u>	<u>(28,100)</u>	<u>103,537,951</u>
<u>Depreciation</u>				
Buildings, grounds & improvements	5,729,553	716,714	-	6,446,267
Furniture & equipment	1,849,045	198,162	(23,825)	2,023,382
Infrastructure	48,815,929	1,713,026	-	50,528,955
	<u>56,394,527</u>	<u>2,627,902</u>	<u>(23,825)</u>	<u>58,998,604</u>
Net book Value	<u>\$ 44,978,901</u>	<u>\$ (435,279)</u>	<u>\$ (4,275)</u>	<u>\$ 44,539,347</u>

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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, 2012, the most significant general fund payable was the payable to the Contra Costa County Sheriff totaling \$508,607. The most significant non-major fund payable at June 30, 2012 was a \$9,818 payable to Kimley-Horn & Associates, Inc. for the Measure J (CCTA) Fund.

3. E. Interfund Transactions and Balances

Operating transfers

Fund	Transfers In	Transfers Out
General Fund	\$ 161,361	\$ 542,019
Capital projects fund	229,665	4,567
Other governmental funds	26,660	-
Subtotal	417,686	546,586
Proprietary funds/internal service	128,900	-
	<u>\$ 546,586</u>	<u>\$ 546,586</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.

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

	Principal	Interest	Total
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	270,000	349,260	619,260
2018 – 2022	1,535,000	1,573,780	3,108,780
2023 – 2027	1,880,000	1,226,404	3,106,404
2028 – 2032	2,375,000	729,500	3,104,500
2033 – 2035	1,710,000	156,145	1,866,145
	<u>\$ 8,755,000</u>	<u>\$ 5,532,329</u>	<u>\$ 14,287,329</u>

During fiscal year 2012, interest payments were \$397,660. 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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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, 2012:

Defined contribution retirement plan:	
Balance June 30, 2011	\$ 4,115,261
Contributions	359,575
Loan activity, net	(113,486)
Disbursements, net	(186,266)
Earnings	<u>(6,754)</u>
Balance June 30, 2012	\$ <u><u>4,168,330</u></u>

Deferred compensation plan (Internal Revenue Code Section 457)

For the fiscal year ended June 30, 2012, employees had 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 up to 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, 2012:

Deferred compensation plan:	
Balance June 30, 2011	\$ 3,140,204
Contributions	308,255
Disbursements and adjustments	(204,502)
Earnings	<u>(8,951)</u>
Balance June 30, 2012	\$ <u><u>3,235,006</u></u>

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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, 2012:

	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 (Police Dept.)	\$ 250,000	\$ 2,000
Auto-physical damage (other)	\$ 250,000	\$ 3,000
Workers' compensation	\$ 50,000,000	\$ -

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, 2012, the insurance fund had net position of \$746,387. Additional details are on pages 47 and 48.

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.

CITY OF ORINDA
Notes to Financial Statements
June 30, 2012

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.

4. E. New Accounting Pronouncements

- In December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The City is required to implement the provisions of the Statement for the current fiscal year. This Statement did not result in a change in current practice because the City does not use the alternative measurement method.
- In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. 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.
- 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. 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). The City no longer has a component unit 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, 2012

- 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.

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.

- In June of 2011, GASB issued GASBS No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 most likely will 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. The City is required to implement the provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the City.
- In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 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 March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The City is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). 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
Notes to Financial Statements
June 30, 2012

- In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The City is required to implement to provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013). This Statement will result in a change in current practice, or have a material effect on the financial statements of the City.

- In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The City is required to implement to provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will 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 November 28, 2012, the date on which the financial statements were available to be issued. No material subsequent events were noted for the purposes of this report.

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Required Supplementary Information

CITY OF ORINDA
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 General Fund
 For the Year Ended June 30, 2012

Exhibit 1

	General Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property tax and assessments	\$ 3,504,081	\$ 3,392,550	\$ 3,551,640	\$ 159,090
Property tax in lieu of VLF	1,460,110	1,410,555	1,249,247	(161,308)
Sales tax	834,133	890,723	890,759	36
Franchise tax	981,248	981,248	976,030	(5,218)
Property transfer tax	114,999	114,999	124,746	9,747
Rent and interest	176,539	137,794	178,606	40,812
Realized gain on investments	-	-	-	-
Unrealized gain on investments	-	-	(73,402)	(73,402)
Recreation fees				
Recreation class fees	1,001,217	1,061,217	1,087,682	26,465
OYA sports fees	344,956	284,956	239,398	(45,558)
Wagner Ranch sports	96,446	96,446	77,458	(18,988)
Other	195,456	164,313	147,659	(16,654)
Service fees				
Vehicle and parking fines	172,622	172,622	175,048	2,426
Building inspection	255,000	315,000	274,826	(40,174)
Planning	330,000	200,000	237,284	37,284
Public works and engineering	124,400	124,400	462,907	338,507
Police	24,015	24,015	25,126	1,111
Other agencies				
State and local	-	-	8,989	8,989
Homeowners tax reimbursement	33,685	33,685	36,251	2,566
Vehicle licenses fees	44,656	8,839	8,839	-
Vehicle abatement	3,721	3,721	-	(3,721)
Miscellaneous	188,799	274,488	47,777	(226,711)
Total revenues	9,886,083	9,691,571	9,726,870	35,299
Expenditures				
City management/policy and legal	956,648	969,693	937,881	31,812
Finance/administrative services	822,646	824,830	640,212	184,618
Police services department	3,955,393	3,739,333	3,585,650	153,683
Public works / engineering	1,268,263	1,294,370	1,309,715	(15,345)
Parks and recreational department	2,100,768	2,080,822	2,041,796	39,026
Planning department	782,365	782,365	765,488	16,877
Library operations	-	-	2,744	(2,744)
Principal payments on bonds	-	-	225,000	(225,000)
Total expenditures	9,886,083	9,691,413	9,508,486	182,927
Excess (deficiency) of revenues over expenditures	-	158	218,384	218,226
Other financing sources (uses)				
Operating transfers - in	-	-	161,361	161,361
Operating transfers - out	-	-	(542,019)	(542,019)
Total other financing sources (uses)	-	-	(380,658)	(380,658)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ 158	(162,274)	\$ (162,432)
Fund equity - beginning of year			9,000,341	
Fund equity - end of year			<u>\$ 8,838,067</u>	

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

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	\$ 2,356,193	\$ -	\$ 1,441	\$ -	\$ -	\$ 2,357,634
Investments	4,048,201	-	-	-	-	4,048,201
Accounts receivable	565,159	-	-	-	-	565,159
Accrued interest receivable	28,838	-	-	-	-	28,838
Due from other funds	611,634	-	-	-	-	611,634
Prepaid items and deposits	116,048	-	-	-	-	116,048
Total unrestricted assets	<u>7,726,073</u>	<u>-</u>	<u>1,441</u>	<u>-</u>	<u>-</u>	<u>7,727,514</u>
Restricted Assets:						
Investments	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Total restricted assets	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Total assets	<u>\$ 10,226,073</u>	<u>\$ -</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,227,514</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts payable and accrued liabilities	\$ 781,084	\$ -	\$ -	\$ -	\$ -	\$ 781,084
Accrued administrative leave	371,445	-	-	-	-	371,445
Deferred revenue	229,612	-	-	-	-	229,612
Planning and engineering deposits	7,306	-	-	-	-	7,306
Total liabilities	<u>1,389,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,389,447</u>
Fund balance						
Restricted	2,500,000	-	-	-	-	2,500,000
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	<u>6,336,626</u>	<u>-</u>	<u>1,441</u>	<u>-</u>	<u>-</u>	<u>6,338,067</u>
Total fund balance	<u>8,836,626</u>	<u>-</u>	<u>1,441</u>	<u>-</u>	<u>-</u>	<u>8,838,067</u>
Total liabilities and fund balances	<u>\$ 10,226,073</u>	<u>\$ -</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,227,514</u>

CITY OF ORINDA
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 General Fund
 For the Year Ended June 30, 2012

	General Fund	Orinda Youth Association Fund	Community Improvement Fund	Total
Revenues				
Taxes				
Property tax and assessments	\$ 4,800,887	\$ -	\$ -	\$ 4,800,887
Sales tax	890,759	-	-	890,759
Franchise tax	976,030	-	-	976,030
Property transfer tax	124,746	-	-	124,746
Rent and interest	178,606	-	-	178,606
Recreation fees				
Recreation class fees	1,087,682	-	-	1,087,682
OYA sports fees	239,398	-	-	239,398
Wagner Ranch sports fees	77,458	-	-	77,458
Other	147,659	-	-	147,659
Service fees				
Vehicle and parking fines	175,048	-	-	175,048
Building inspection	274,826	-	-	274,826
Planning	237,284	-	-	237,284
Public works and engineering	462,907	-	-	462,907
Police	25,126	-	-	25,126
Other agencies				
State and local	8,989	-	-	8,989
Homeowners tax reimbursement	36,251	-	-	36,251
Vehicle licenses fees	8,839	-	-	8,839
Miscellaneous	47,777	-	-	47,777
Realized gain (loss) on investments	0	-	-	-
Unrealized gain (loss) on investments	(73,402)	-	-	(73,402)
Total revenues	<u>9,726,870</u>	<u>-</u>	<u>-</u>	<u>9,726,870</u>
Expenditures				
City management	418,235	-	-	418,235
City attorney	345,569	-	-	345,569
City clerk	174,077	-	-	174,077
Administrative services	242,552	-	-	242,552
Parks and recreational department	2,041,796	-	-	2,041,796
Parks improvements	-	-	-	-
Public works and engineering	1,309,715	-	-	1,309,715
Community development	-	-	-	-
Police services	3,585,650	-	-	3,585,650
Public works	-	-	-	-
Planning Department	765,488	-	-	765,488
Other	-	-	-	-
Transportation maintenance	-	-	-	-
Miscellaneous	-	-	-	-
Library operations	2,744	-	-	2,744
Debt Service:				
Interest	397,660	-	-	397,660
Principal payments on bonds	225,000	-	-	225,000
Total expenditures	<u>9,508,486</u>	<u>-</u>	<u>-</u>	<u>9,508,486</u>
Excess (deficiency) of revenues over expenditures	<u>218,384</u>	<u>-</u>	<u>-</u>	<u>218,384</u>
Other financing sources (uses)				
Operating transfers - in	161,361	-	-	161,361
Operating transfers - out	(385,492)	(156,527)	-	(542,019)
Total other financing sources (uses)	<u>(224,131)</u>	<u>(156,527)</u>	<u>-</u>	<u>(380,658)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,747)	(156,527)	-	(162,274)
Fund balance - beginning of year	<u>8,842,373</u>	<u>156,527</u>	<u>1,441</u>	<u>9,000,341</u>
Fund balance - end of year	<u>\$ 8,836,626</u>	<u>\$ -</u>	<u>\$ 1,441</u>	<u>\$ 8,838,067</u>

CITY OF ORINDA
 Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2012

<u>ASSETS</u>	<u>Gas Tax</u>	<u>Transportation Impact</u>	<u>Drainage Impact</u>	<u>Library</u>	<u>Park Dedication</u>
Cash and cash equivalents	\$ 822	\$ 687,719	\$ (5,132)	\$ 358,942	\$ 944,475
Accounts receivable	-	-	-	-	-
Accrued interest receivable	-	444	-	200	589
Prepaid expenses	-	-	-	1,090	-
 Total assets	 <u>\$ 822</u>	 <u>\$ 688,163</u>	 <u>\$ (5,132)</u>	 <u>\$ 360,232</u>	 <u>\$ 945,064</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Accounts payable and accrued liabilities	\$ 822	\$ -	\$ 306	\$ 52,821	\$ 1,600
Due to other funds	<u>165,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>165,857</u>	<u>-</u>	<u>306</u>	<u>52,821</u>	<u>1,600</u>
 Fund balance					
Restricted	(165,035)	688,163	(5,438)	307,411	943,464
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>(165,035)</u>	 <u>688,163</u>	 <u>(5,438)</u>	 <u>307,411</u>	 <u>943,464</u>
 Total liabilities and fund equity	 <u>\$ 822</u>	 <u>\$ 688,163</u>	 <u>\$ (5,132)</u>	 <u>\$ 360,232</u>	 <u>\$ 945,064</u>

<u>Tree Mitigation</u>	<u>Recycling</u>	<u>State AB 3229 S.L.E.S.F Program</u>	<u>Measures C & J</u>	<u>Arts & Garden Center</u>	<u>District L-42</u>	<u>District M-9</u>	<u>District M-11</u>	<u>Stormwater</u>	<u>Total</u>
\$ 89,983	\$ 15,068	\$ 9,989	\$ 54,132	\$ 1,622,265	\$ 3,964	\$ 2,415	\$ 904	\$ 167,375	\$ 3,952,921
-	-	591	673,592	-	-	-	-	8,380	682,563
54	-	8	-	1,013	3	2	-	226	2,539
-	-	-	-	-	135	197	898	-	2,320
<u>\$ 90,037</u>	<u>\$ 15,068</u>	<u>\$ 10,588</u>	<u>\$ 727,724</u>	<u>\$ 1,623,278</u>	<u>\$ 4,102</u>	<u>\$ 2,614</u>	<u>\$ 1,802</u>	<u>\$ 175,981</u>	<u>\$ 4,640,343</u>
\$ -	\$ -	\$ -	\$ 9,999	\$ -	\$ 415	\$ 590	\$ 1,801	\$ 10,941	\$ 79,295
-	-	-	-	-	-	-	-	-	165,035
-	-	-	9,999	-	415	590	1,801	10,941	244,330
90,037	15,068	10,588	717,725	1,623,278	3,687	2,024	1	165,040	4,396,013
-	-	-	-	-	-	-	-	-	-
<u>90,037</u>	<u>15,068</u>	<u>10,588</u>	<u>717,725</u>	<u>1,623,278</u>	<u>3,687</u>	<u>2,024</u>	<u>1</u>	<u>165,040</u>	<u>4,396,013</u>
<u>\$ 90,037</u>	<u>\$ 15,068</u>	<u>\$ 10,588</u>	<u>\$ 727,724</u>	<u>\$ 1,623,278</u>	<u>\$ 4,102</u>	<u>\$ 2,614</u>	<u>\$ 1,802</u>	<u>\$ 175,981</u>	<u>\$ 4,640,343</u>

CITY OF ORINDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2012

Exhibit 5

	Gas Tax	Transportation Impact	Drainage Impact	Library	Park Dedication	Tree Mitigation	Recycling	State AB 3229 S.L.E.S.F. Programs	Measures C & J	Arts & Garden Center
Revenues										
Property tax and assessments	\$ -	\$ -	\$ -	\$ 303,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	551	2,001	22	857	2,605	233	-	33	-	4,433
Gasoline tax	507,348	-	-	-	-	-	-	-	-	-
State grant	-	-	-	-	-	-	10,068	-	-	-
Tree replacement fees	-	-	-	-	-	4,750	-	-	-	-
Development impact fees	-	56,915	28,732	-	44,472	-	-	-	-	-
C.O.P.S. - State AB 3229	-	-	-	-	-	-	-	106,525	-	-
Miscellaneous donations	-	-	-	-	6,000	-	-	-	-	-
NPDES revenues	-	-	-	-	-	-	-	-	-	-
Measure C projects	-	-	-	-	-	-	-	-	-	-
Measure J return to source	-	-	-	-	-	-	-	-	396,635	-
	<u>507,899</u>	<u>58,916</u>	<u>28,754</u>	<u>303,886</u>	<u>53,077</u>	<u>4,983</u>	<u>10,068</u>	<u>106,558</u>	<u>396,635</u>	<u>4,433</u>
Expenditures										
Landscaping and street maintenance	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-	-
Library services	-	-	-	274,025	-	-	-	-	-	-
Personnel Costs	16,781	495	9,778	-	-	-	-	-	9,612	-
Transportation infrastr. improvements	1,124,172	69,374	-	-	-	-	-	-	(56,475)	-
Capital projects	-	-	-	-	108,163	-	-	-	-	-
Contract Services	531	94	-	-	-	-	-	106,558	-	-
Drainage improvements	-	-	15,201	-	-	-	-	-	-	-
Supplies and Materials	1,603	12,972	9,569	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
	<u>1,143,087</u>	<u>82,935</u>	<u>34,548</u>	<u>274,025</u>	<u>108,163</u>	<u>-</u>	<u>-</u>	<u>106,558</u>	<u>(46,863)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(635,188)	(24,019)	(5,794)	29,861	(55,086)	4,983	10,068	-	443,498	4,433
Net transfers in (out)	-	-	-	-	-	-	5,000	-	-	-
Excess of revenues over expenditures, net of transfers	(635,188)	(24,019)	(5,794)	29,861	(55,086)	4,983	15,068	-	443,498	4,433
Fund equity - beginning 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>-</u>	<u>10,588</u>	<u>274,227</u>	<u>1,618,845</u>
Fund equity - end of year	<u>\$ (165,035)</u>	<u>\$ 688,163</u>	<u>\$ (5,438)</u>	<u>\$ 307,411</u>	<u>\$ 943,464</u>	<u>\$ 90,037</u>	<u>\$ 15,068</u>	<u>\$ 10,588</u>	<u>\$ 717,725</u>	<u>\$ 1,623,278</u>

CITY OF ORINDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2012

District L-42	District M-9	District M-11	Stormwater	Total
\$ 5,441	\$ 8,285	\$ 33,823	\$ -	\$ 350,578
10	6	-	890	11,641
-	-	-	-	507,348
-	-	-	-	10,068
-	-	-	-	4,750
-	-	-	-	130,119
-	-	-	-	106,525
-	-	-	-	6,000
-	-	-	319,331	319,331
-	-	-	-	-
-	-	-	-	396,635
<u>5,451</u>	<u>8,291</u>	<u>33,823</u>	<u>320,221</u>	<u>1,842,995</u>
-	-	23,158	-	23,158
4,028	6,834	15,997	99	26,958
552	826	3,513	-	4,891
-	-	-	-	274,025
1,420	1,439	-	319,766	359,291
-	-	-	-	1,137,071
-	-	-	-	108,163
-	-	-	-	107,183
-	-	-	7,820	23,021
-	-	-	1,387	25,531
-	-	12,814	-	12,814
<u>6,000</u>	<u>9,099</u>	<u>55,482</u>	<u>329,072</u>	<u>2,102,106</u>
(549)	(808)	(21,659)	(8,851)	(259,111)
-	-	21,660	-	26,660
(549)	(808)	1	(8,851)	(232,451)
<u>4,236</u>	<u>2,832</u>	<u>-</u>	<u>173,891</u>	<u>4,628,464</u>
<u>\$ 3,687</u>	<u>\$ 2,024</u>	<u>\$ 1</u>	<u>\$ 165,040</u>	<u>\$ 4,396,013</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	\$ -	\$ 138,834	\$ -	\$ -	\$ -	\$ 138,834
Cash with fiscal agent	-	-	1,146	-	-	1,146
Accounts receivable	130,071	-	-	250,287	26,965	407,323
Accrued interest receivable	315	-	-	59	-	374
Total assets	<u>\$ 130,386</u>	<u>\$ 138,834</u>	<u>\$ 1,146</u>	<u>\$ 250,346</u>	<u>\$ 26,965</u>	<u>\$ 547,677</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,685	\$ -	\$ -	\$ 4,429	\$ -	\$ 6,114
Deferred revenue	-	-	-	-	-	-
Due to other funds	155,009	-	-	264,625	26,965	446,599
Total liabilities	<u>156,694</u>	<u>-</u>	<u>-</u>	<u>269,054</u>	<u>26,965</u>	<u>452,713</u>
Fund balance:						
Restricted	(26,308)	138,834	1,146	(18,708)	-	94,964
Assigned	-	-	-	-	-	-
Total fund balance	<u>(26,308)</u>	<u>138,834</u>	<u>1,146</u>	<u>(18,708)</u>	<u>-</u>	<u>94,964</u>
Total liabilities and fund equity	<u>\$ 130,386</u>	<u>\$ 138,834</u>	<u>\$ 1,146</u>	<u>\$ 250,346</u>	<u>\$ 26,965</u>	<u>\$ 547,677</u>

CITY OF ORINDA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Capital Projects Funds
 For the Year Ended June 30, 2012

	City Capital Projects Fund	Oaksprings AD Improvement Fund	City Hall Project Fund	Federal Grants Fund	State Grants Fund	Total
Revenues						
Rent and interest	\$ 930	\$ -	\$ -	\$ 273	\$ -	\$ 1,203
Other agencies						
State and Federal	-	-	-	21,550	-	21,550
Miscellaneous	<u>12,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,867</u>
Total revenue	<u>13,797</u>	<u>-</u>	<u>-</u>	<u>21,823</u>	<u>-</u>	<u>35,620</u>
Expenditures						
Capital outlay for						
Capital improvements	-	-	-	-	-	-
Transportation infrastructure improvements	296,076	-	-	-	-	296,076
Drainage improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>296,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,076</u>
Excess (deficiency) of revenues over expenditures	<u>(282,279)</u>	<u>-</u>	<u>-</u>	<u>21,823</u>	<u>-</u>	<u>(260,456)</u>
Other financing sources (uses)						
Operating transfers in	229,665	-	-	-	-	229,665
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,567)</u>	<u>(4,567)</u>
Excess (deficiency) of revenues over expenditures	<u>229,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,567)</u>	<u>225,098</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(52,614)	-	-	21,823	(4,567)	(35,358)
Fund equity - beginning 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>
Fund equity - end of year	<u>\$ (26,308)</u>	<u>\$ 138,834</u>	<u>\$ 1,146</u>	<u>\$ (18,708)</u>	<u>\$ -</u>	<u>\$ 94,964</u>

Exhibit 8

CITY OF ORINDA
Combining Statement of Net Position
Internal Service Funds
June 30, 2012

	<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	\$ 120,200	\$ 139,490	\$ 248,155	\$ 758,792	\$ 222,001	\$ 298,631	\$ 1,787,269
Interest receivable	73	77	127	450	139	187	1,053
Due from other funds	-	-	-	-	-	-	-
Total current assets	<u>120,273</u>	<u>139,567</u>	<u>248,282</u>	<u>759,242</u>	<u>222,140</u>	<u>298,818</u>	<u>1,788,322</u>
Fixed assets							
Equipment and vehicles	645,774	72,575	871,203	-	-	-	1,589,552
Less: accumulated depreciation	(631,323)	(25,429)	(523,695)	-	-	-	(1,180,447)
Net fixed assets	<u>14,451</u>	<u>47,146</u>	<u>347,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,105</u>
Total assets	<u>\$ 134,724</u>	<u>\$ 186,713</u>	<u>\$ 595,790</u>	<u>\$ 759,242</u>	<u>\$ 222,140</u>	<u>\$ 298,818</u>	<u>\$ 2,197,427</u>
<u>LIABILITIES AND NET POSITION</u>							
Liabilities							
Accounts payable and accrued liabilities	\$ 2,825	\$ -	\$ -	\$ 12,855	\$ -	\$ -	\$ 15,680
	<u>2,825</u>	<u>-</u>	<u>-</u>	<u>12,855</u>	<u>-</u>	<u>-</u>	<u>15,680</u>
Net Position							
Invested in fixed assets	14,451	47,146	347,508	-	-	-	409,105
Reserved	-	-	-	746,387	-	-	746,387
Unreserved	117,448	139,567	248,282	-	222,140	298,818	1,026,255
Total net position	<u>131,899</u>	<u>186,713</u>	<u>595,790</u>	<u>746,387</u>	<u>222,140</u>	<u>298,818</u>	<u>2,181,747</u>
Total liabilities and net position	<u>\$ 134,724</u>	<u>\$ 186,713</u>	<u>\$ 595,790</u>	<u>\$ 759,242</u>	<u>\$ 222,140</u>	<u>\$ 298,818</u>	<u>\$ 2,197,427</u>

CITY OF ORINDA
Combining Statement of Revenues, Expenditures and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2012

	Information Systems	Building Maintenance	Vehicle Replacement	Insurance	Slope Emergency Stabilization	General Plan	Total
Operating revenues							
Charges to operating departments	\$ 4,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,640
Total operating revenues	<u>4,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,640</u>
Operating expenses							
Depreciation expense	37,083	1,522	86,308	-	-	-	124,913
Insurance expense	-	-	-	13,211	-	-	13,211
Other	21,346	1	-	-	-	-	21,347
Total operating expenses	<u>58,429</u>	<u>1,523</u>	<u>86,308</u>	<u>13,211</u>	<u>-</u>	<u>-</u>	<u>159,471</u>
Operating income	<u>(53,789)</u>	<u>(1,523)</u>	<u>(86,308)</u>	<u>(13,211)</u>	<u>-</u>	<u>-</u>	<u>(154,831)</u>
Non-operating revenues (expenses)							
Interest and rent	278	318	453	1,835	608	825	4,317
Loss on disposal of fixed assets	-	-	(2,879)	-	-	-	(2,879)
Total non-operating revenue	<u>278</u>	<u>318</u>	<u>(2,426)</u>	<u>1,835</u>	<u>608</u>	<u>825</u>	<u>1,438</u>
Income before contributions and transfers	(53,511)	(1,205)	(88,734)	(11,376)	608	825	(153,393)
Transfers out	-	-	-	-	-	-	-
Transfers in	<u>-</u>	<u>18,400</u>	<u>110,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,900</u>
Change in net position	(53,511)	17,195	21,766	(11,376)	608	825	(24,493)
Net position - beginning	<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>
Net position - ending	<u>\$ 131,899</u>	<u>\$ 186,713</u>	<u>\$ 595,790</u>	<u>\$ 746,387</u>	<u>\$ 222,140</u>	<u>\$ 298,818</u>	<u>\$ 2,181,747</u>